

10-25-2018

2018 Q4 Private Capital Access Index Report

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Everett, Craig R., "2018 Q4 Private Capital Access Index Report" (2018). Pepperdine University Private Capital Markets Project.
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Fourth Quarter 2018

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PEPPERDINE | GRAZIADIO
BUSINESS SCHOOL

10.22.18

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ACKNOWLEDGEMENTS

Special thanks to the following people at Pepperdine Graziadio Business School for their contributions.

Dr. Deryck J. van Rensburg
Dean

Dr. John K. Paglia
Executive Director, Peate Institute for Entrepreneurship and Professor of Finance

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This research was made possible with the support of Dun & Bradstreet.

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I. ABOUT THE PRIVATE CAPITAL ACCESS (PCA) INDEX

The Pepperdine Private Capital Access Index (PCA) is a quarterly indicator produced by Pepperdine Graziadio Business School with the support of Dun & Bradstreet. The index is designed to measure the demand for, activity, and health of the private capital markets. The purpose of the PCA Index is to gauge the demand of small and medium-sized businesses for financing needs, the level of accessibility of private capital, and the transparency and efficiency of private financing markets.

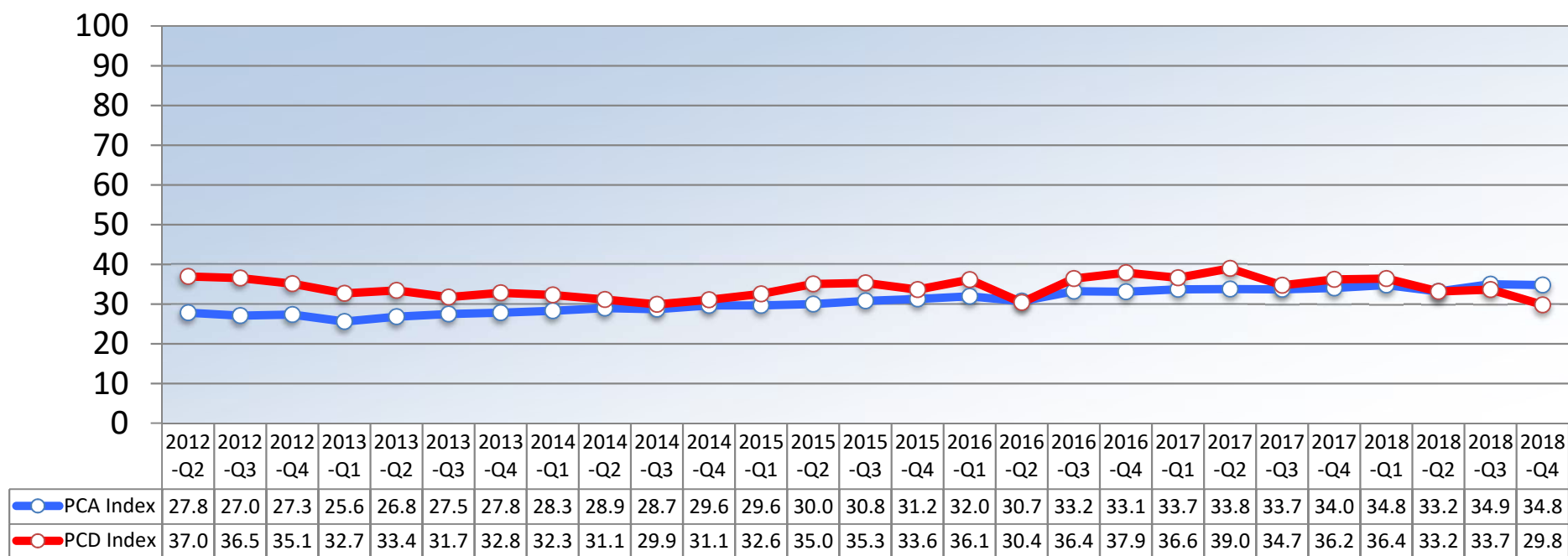
ABOUT THE Q4 2018 PRIVATE CAPITAL ACCESS (PCA) INDEX SURVEY

- 40 questions
- Invited to participate
- Distributed to sample from Dun & Bradstreet's business database
- 878 completed responses
- Where relevant, responses are segmented by revenues sizes (<\$5 million; \$5 million to \$100 million)
- Responses collected from October 2 – October 18, 2018

PRIVATE CAPITAL ACCESS (PCA) AND PRIVATE CAPITAL DEMAND (PCD) INDEX RESULTS - WHOLE SAMPLE

Total Market	PCA Index	PCD Index	Total Market	PCA Index	PCD Index
2012-Q2	27.8	37.0	2016-Q1	32.0	36.1
2012-Q3	27.0	36.5	2016-Q2	30.7	30.4
2012-Q4	27.3	35.1	2016-Q3	33.2	36.4
2013-Q1	25.6	32.7	2016-Q4	33.1	37.9
2013-Q2	26.8	33.4	2017-Q1	33.7	36.6
2013-Q3	27.5	31.7	2017-Q2	33.8	39.0
2013-Q4	27.8	32.8	2017-Q3	33.7	34.7
2014-Q1	28.3	32.3	2017-Q4	34.0	36.2
2014-Q2	28.9	31.1	2018-Q1	34.8	36.4
2014-Q3	28.7	29.9	2018-Q2	33.2	33.2
2014-Q4	29.6	31.1	2018-Q3	34.9	33.7
2015-Q1	29.6	32.6	2018-Q4	34.8	29.8
2015-Q2	30.0	35.0	Change	-0.2	-3.9
2015-Q3	30.8	35.3	Pct. Change	-0.5%	-11.5%
2015-Q4	31.2	33.6			

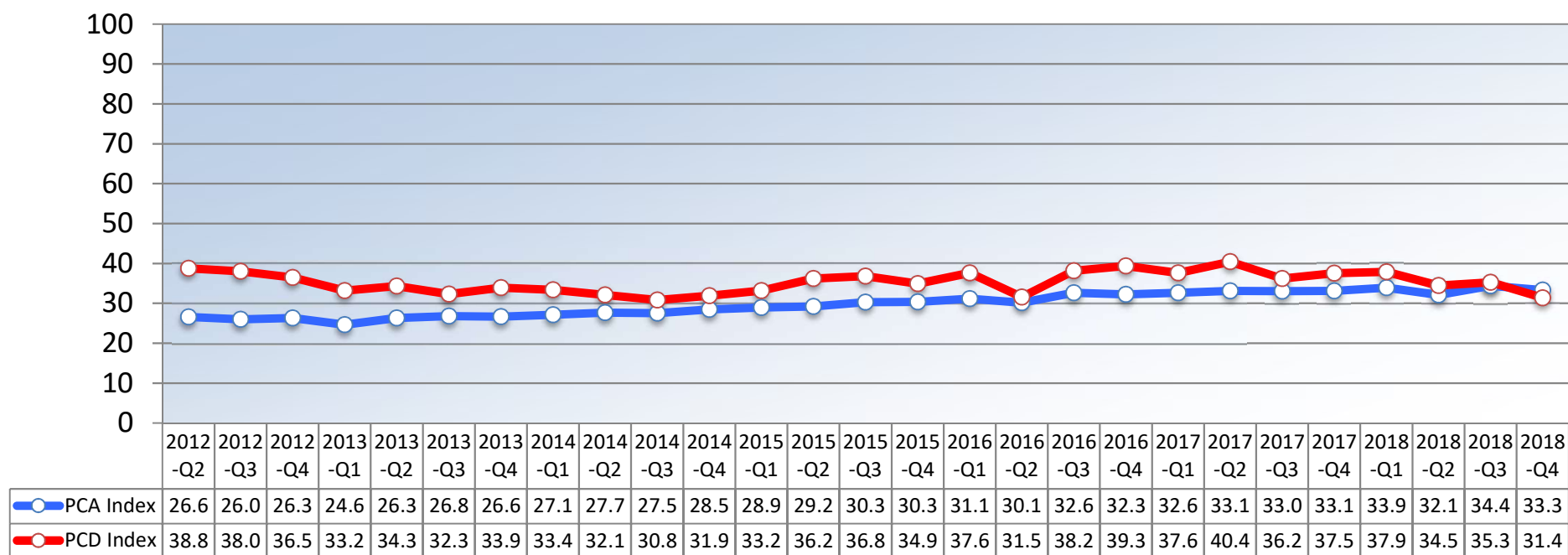
PRIVATE CAPITAL ACCESS (PCA) AND PRIVATE CAPITAL DEMAND (PCD) INDEX RESULTS – WHOLE SAMPLE



SMALL BUSINESS PCA AND PCD INDEX RESULTS (< \$5M IN REVENUES)

Total Market	PCA Index	PCD Index	Total Market	PCA Index	PCD Index
2012-Q3	26.6	38.8	2016-Q1	31.1	37.6
2012-Q4	26.0	38.0	2016-Q2	30.1	31.5
2013-Q1	26.3	36.5	2016-Q3	32.6	38.2
2013-Q2	24.6	33.2	2016-Q4	32.3	39.3
2013-Q3	26.3	34.3	2017-Q1	32.6	37.6
2013-Q4	26.8	32.3	2017-Q2	33.1	40.4
2014-Q1	26.6	33.9	2017-Q3	33.0	36.2
2014-Q1	27.1	33.4	2017-Q4	33.1	37.5
2014-Q2	27.7	32.1	2018-Q1	33.9	37.9
2014-Q3	27.5	30.8	2018-Q2	32.1	34.5
2014-Q4	28.5	31.9	2018-Q3	34.4	35.3
2015-Q1	28.9	33.2	2018-Q4	33.3	31.4
2015-Q2	29.2	36.2	Change	-1.1	-3.9
2015-Q3	30.3	36.8	Pct. Change	-3.2%	-11.1%
2015-Q4	30.3	34.9			

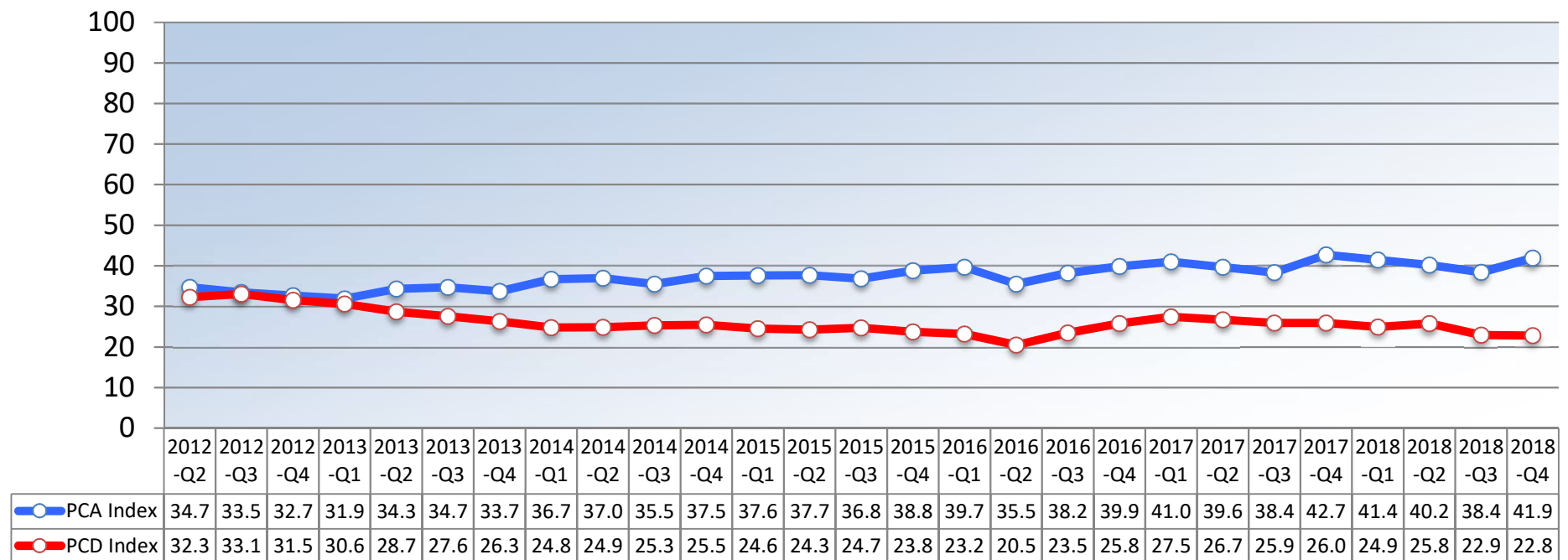
SMALL BUSINESS PCA AND PCD INDEX RESULTS (< \$5M IN REVENUES)



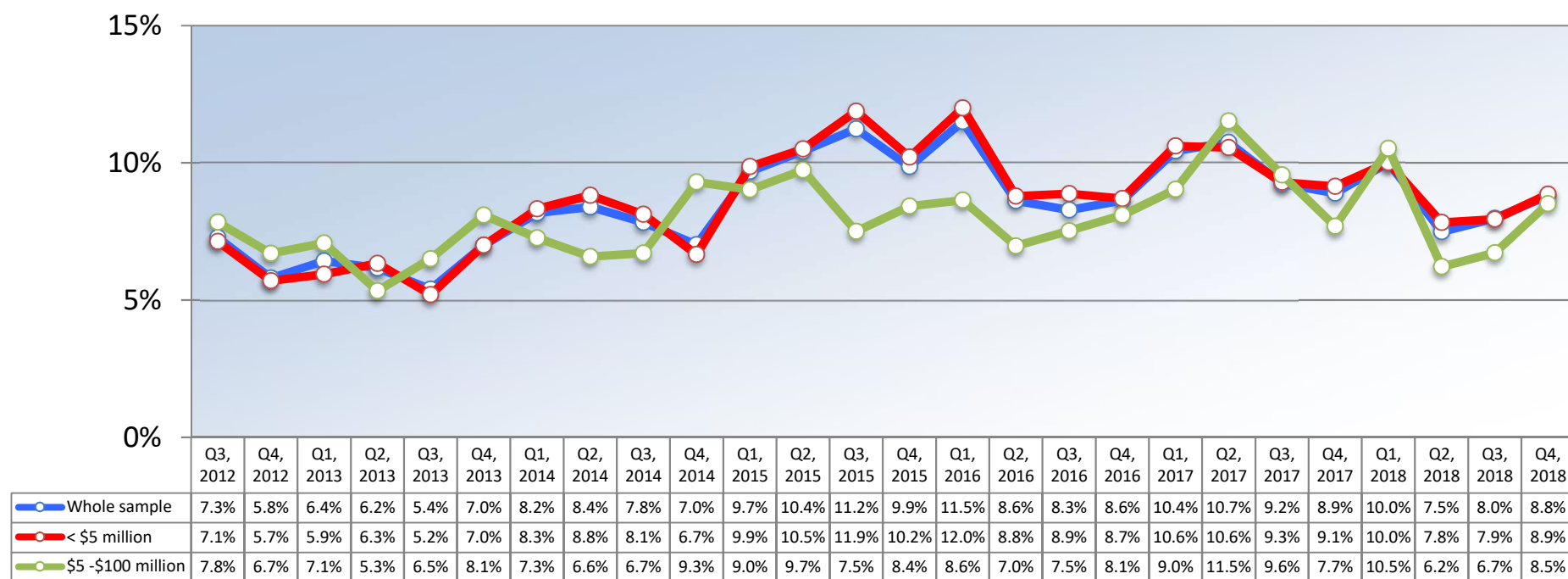
LOWER MIDDLE MARKET PCA AND PCD INDEX RESULTS (\$5M – \$100M IN REVENUES)

Total Market	PCA Index	PCD Index	Total Market	PCA Index	PCD Index
Total Market	34.7	32.3	2016-Q1	39.7	23.2
2012-Q3	33.5	33.1	2016-Q2	35.5	20.5
2012-Q4	32.7	31.5	2016-Q3	38.2	23.5
2013-Q1	31.9	30.6	2016-Q4	39.9	25.8
2013-Q2	34.3	28.7	2017-Q1	41.0	27.5
2013-Q3	34.7	27.6	2017-Q2	39.6	26.7
2013-Q4	33.7	26.3	2017-Q3	38.4	25.9
2014-Q1	36.7	24.8	2017-Q4	42.7	26.0
2014-Q2	37.0	24.9	2018-Q1	41.4	24.9
2014-Q3	35.5	25.3	2018-Q2	40.2	25.8
2014-Q4	37.5	25.5	2018-Q3	38.4	22.9
2015-Q1	37.6	24.6	2018-Q4	41.9	22.8
2015-Q2	37.7	24.3	Change	3.5	-0.1
2015-Q3	36.8	24.7	Pct. Change	9.1%	-0.6%
2015-Q4	38.8	23.8			

LOWER MIDDLE MARKET PCA AND PCD INDEX RESULTS (\$5M – \$100M IN REVENUES)

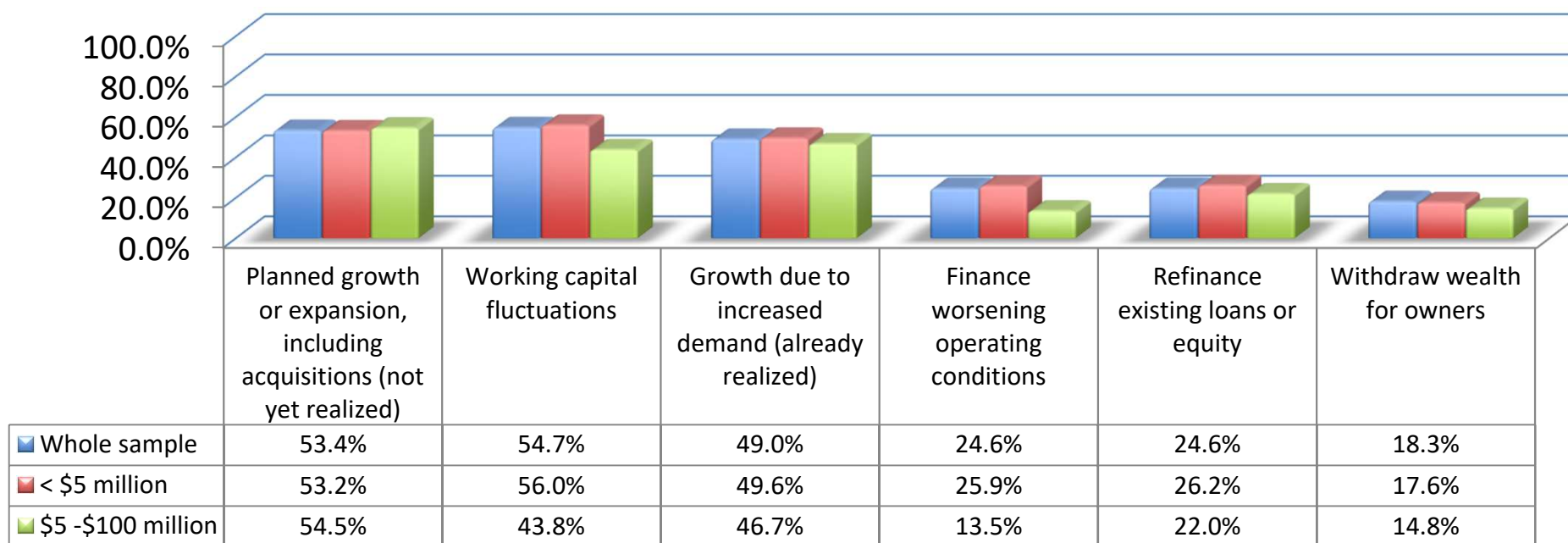


ANNUAL REVENUE CHANGE EXPECTATIONS BY REVENUE SIZE



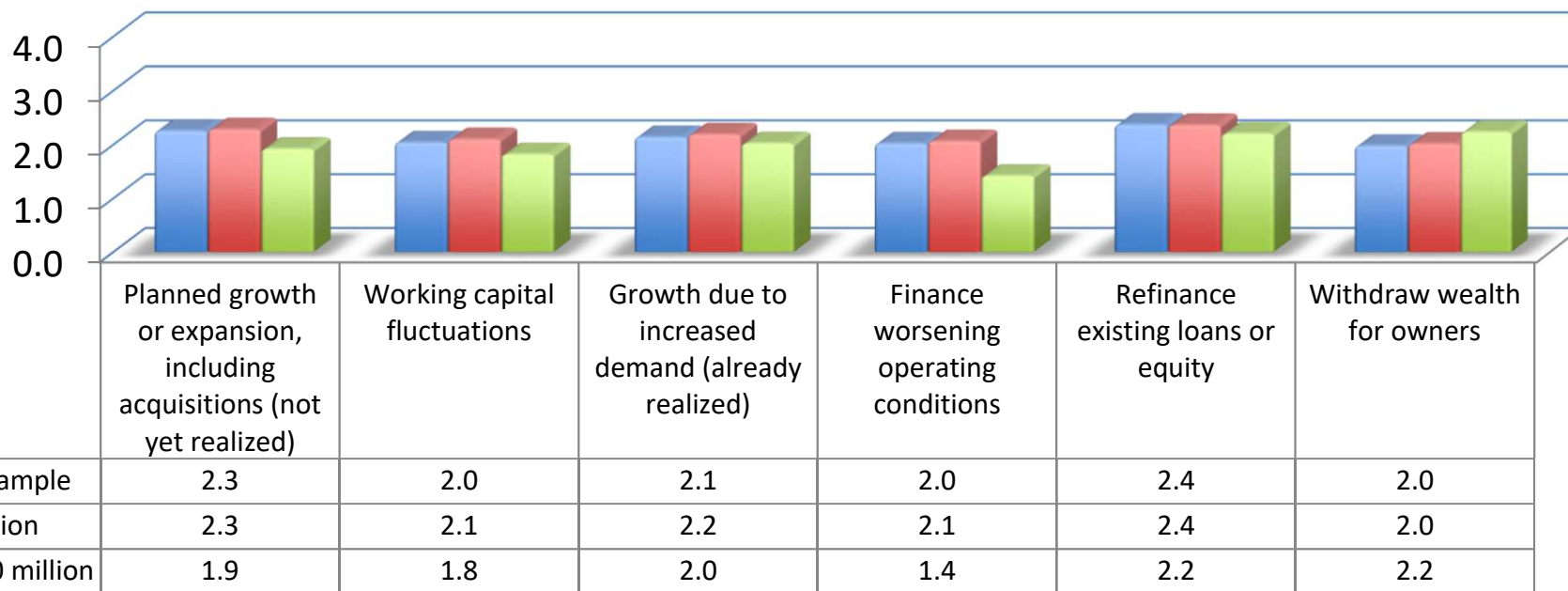
II. DEMAND FOR EXTERNAL FINANCING

DEMAND FOR FINANCING BY PURPOSE (% WITH ANY NEED REPORTED)

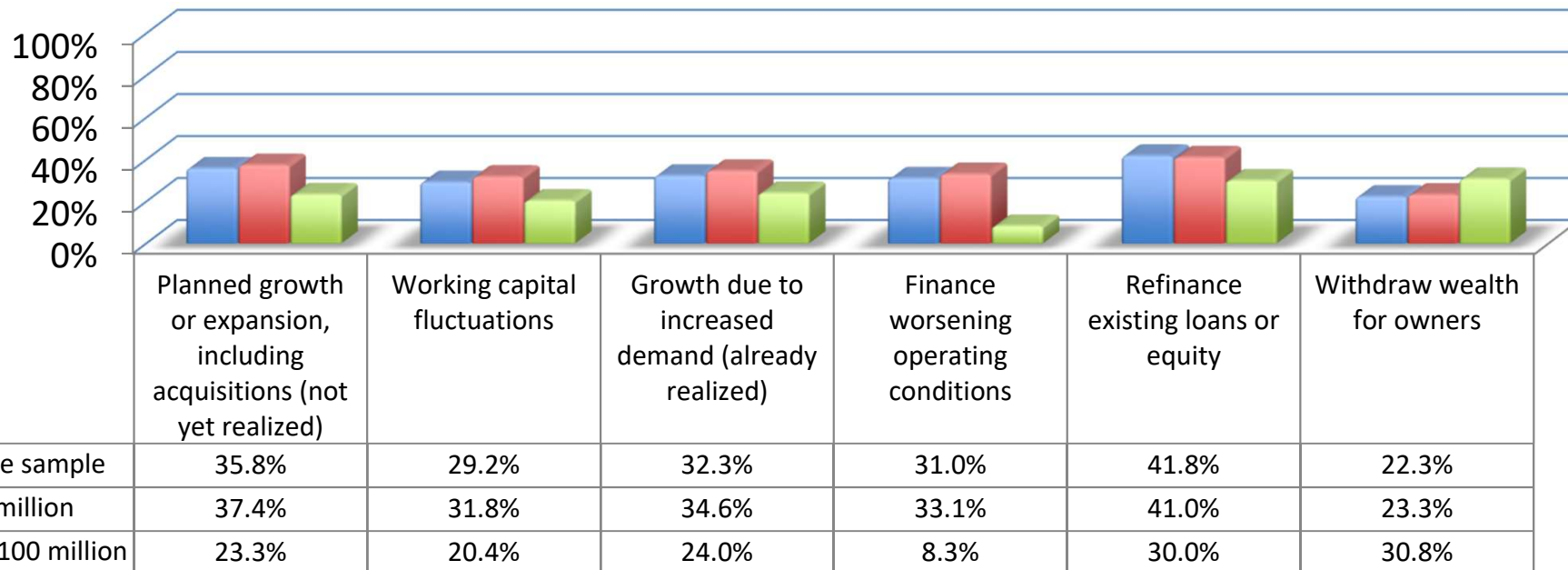


STRENGTH OF DEMAND FOR FINANCING (AMONG THOSE INDICATING DEMAND)

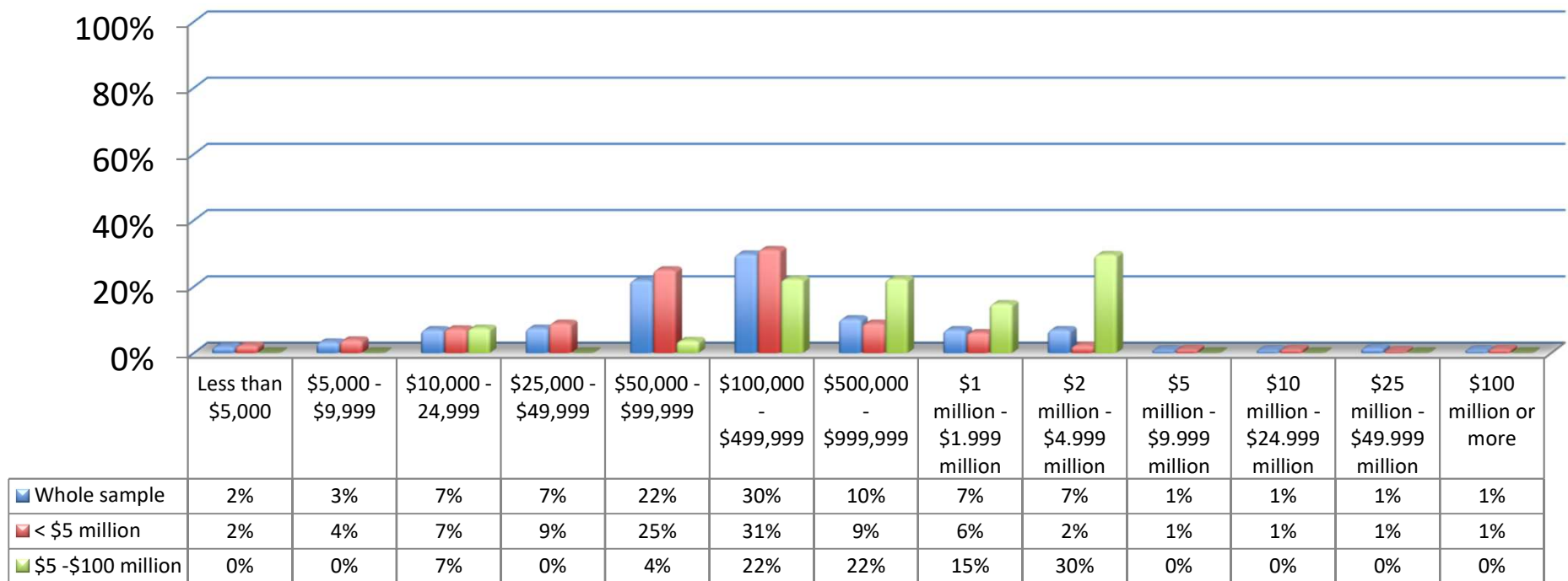
Scale 1-4: slight, moderate, high, extremely high need



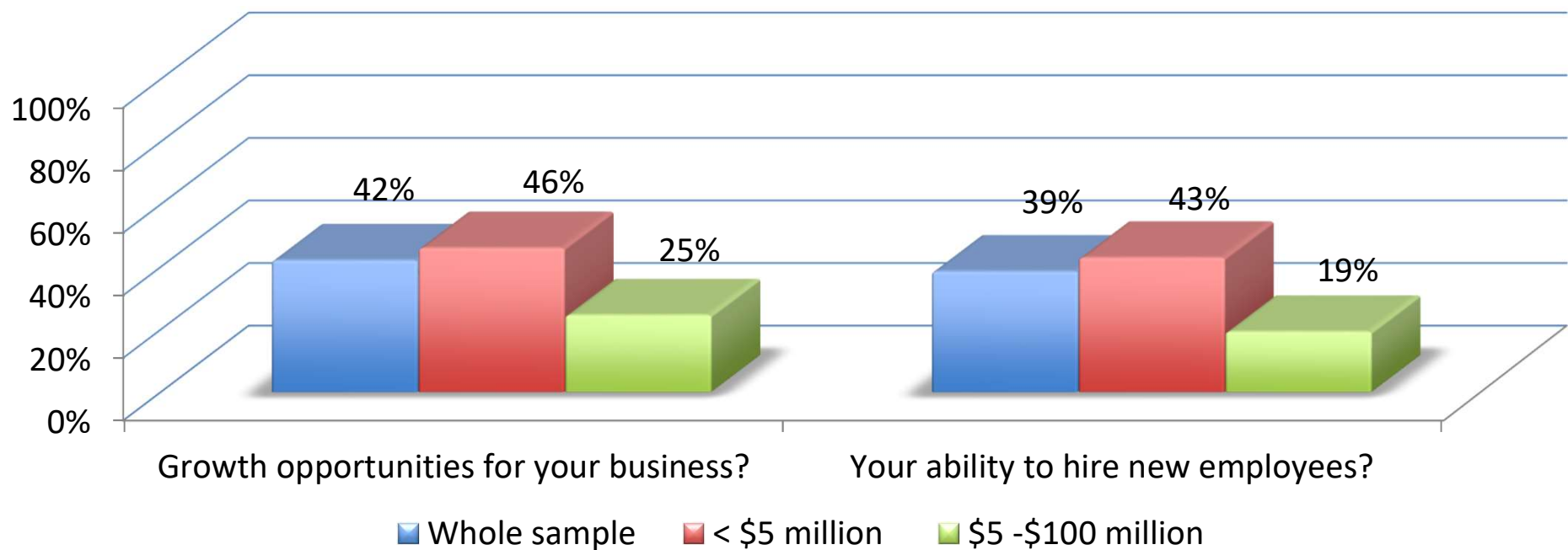
RESPONDENTS INDICATING HIGH AND EXTREMELY HIGH DEMAND FOR FINANCING (AMONG THOSE INDICATING DEMAND)



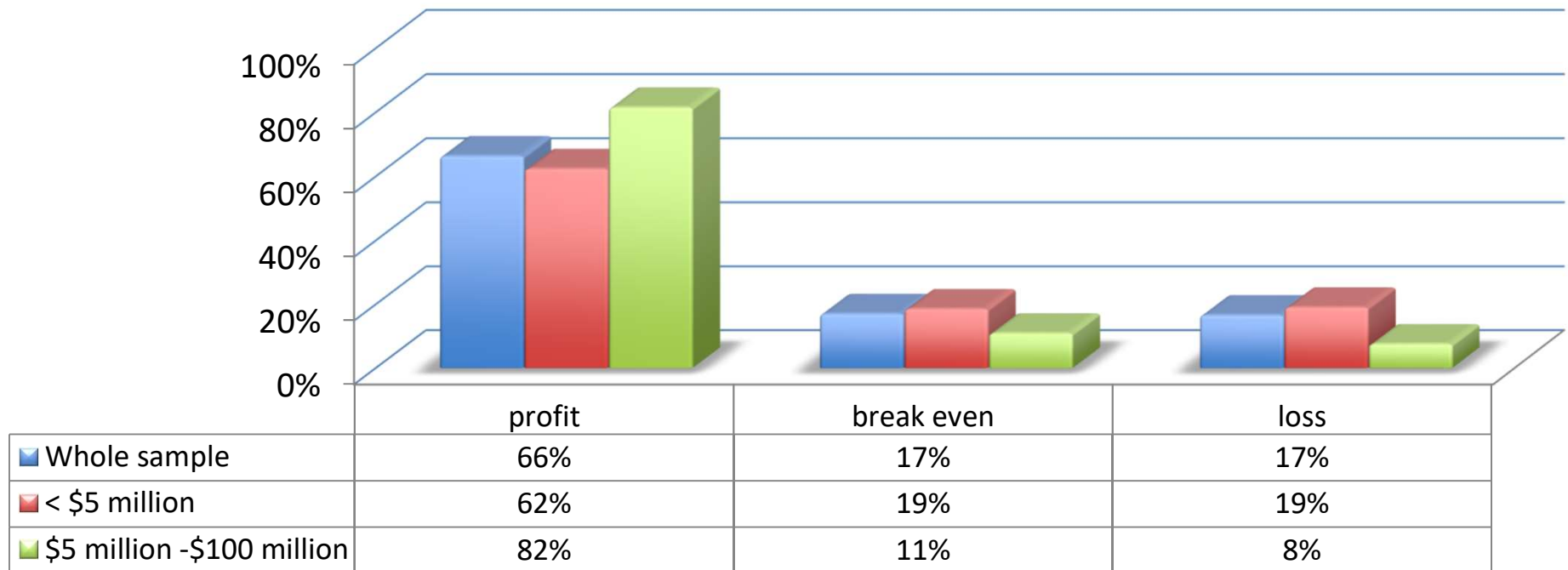
HOW MUCH FINANCING RESPONDENTS ARE SEEKING



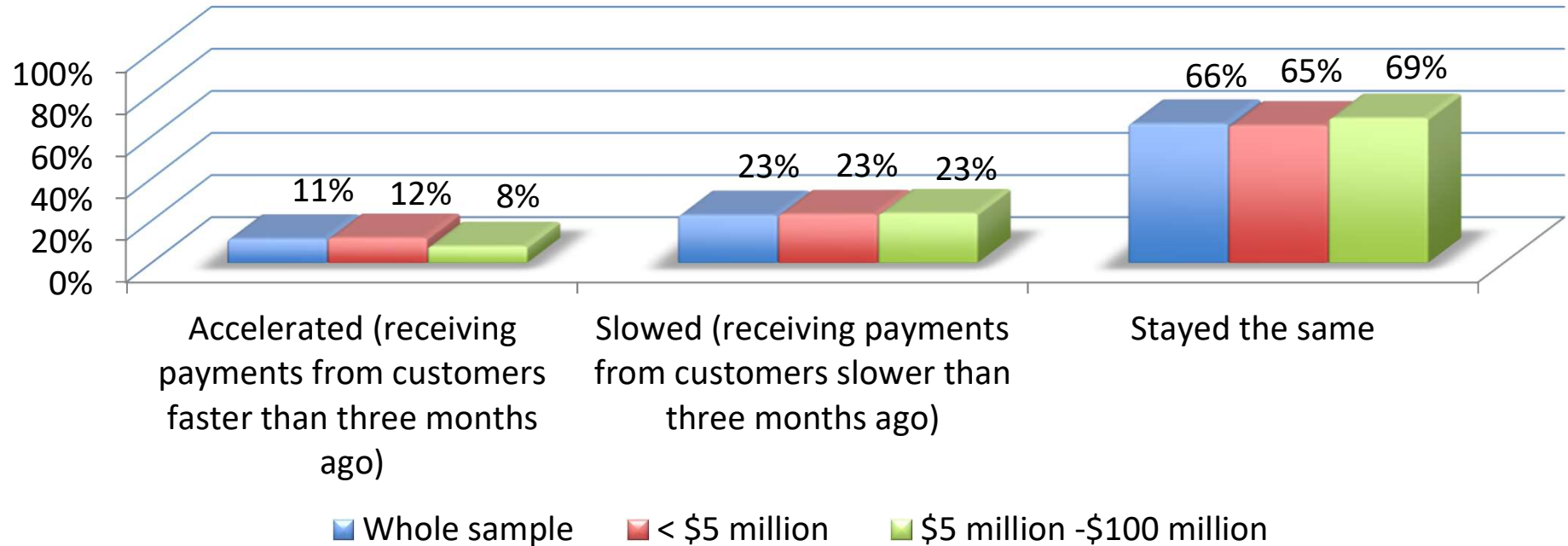
PERCENTAGE INDICATING “YES” TO “IS THE CURRENT BUSINESS FINANCING ENVIRONMENT RESTRICTING...”



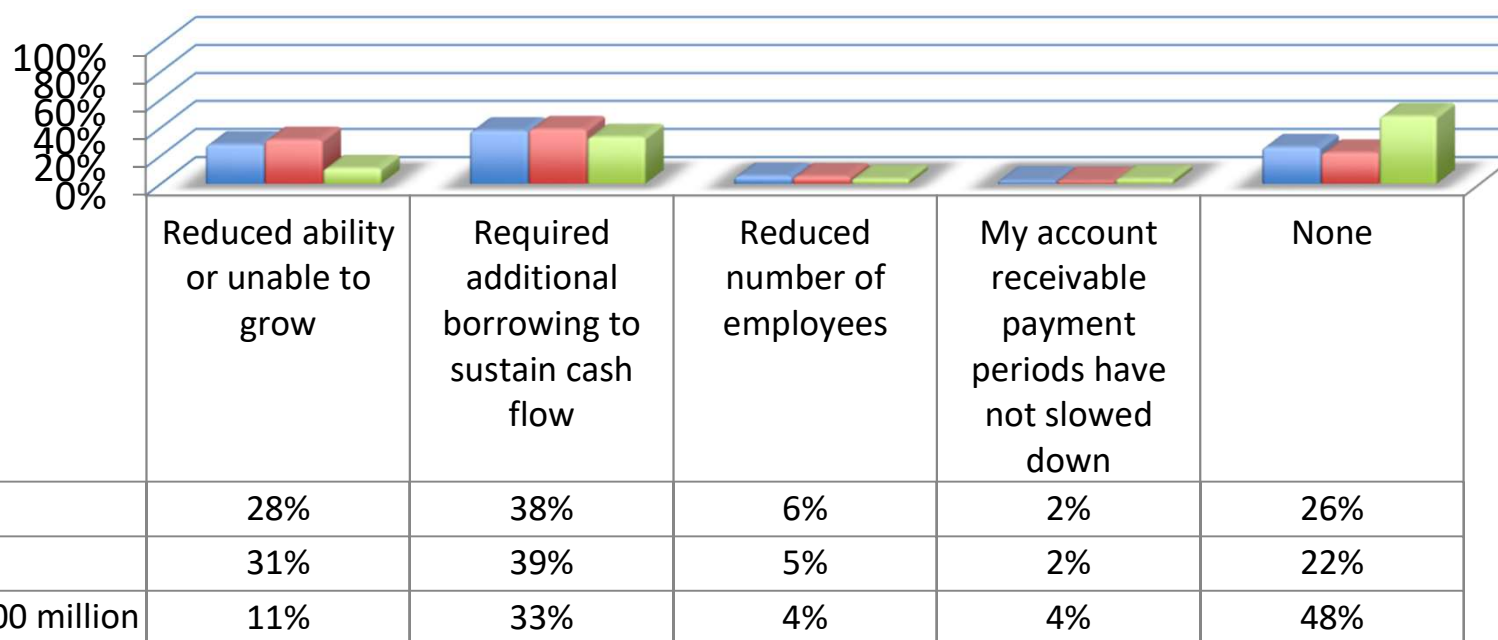
HOW DID RESPONDENTS BUSINESS OPERATE IN THE LAST QUARTER



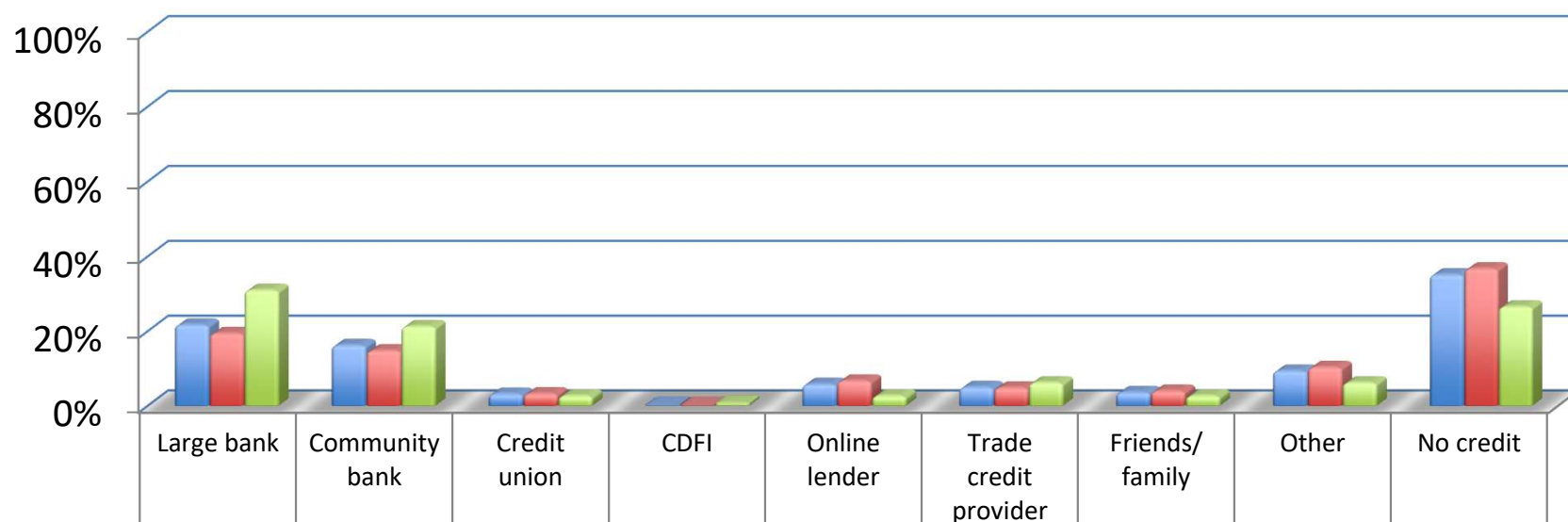
TRADE ACCOUNTS (ACCOUNTS RECEIVABLE) PAYMENT PERIOD TRENDS OVER THE PAST THREE MONTHS



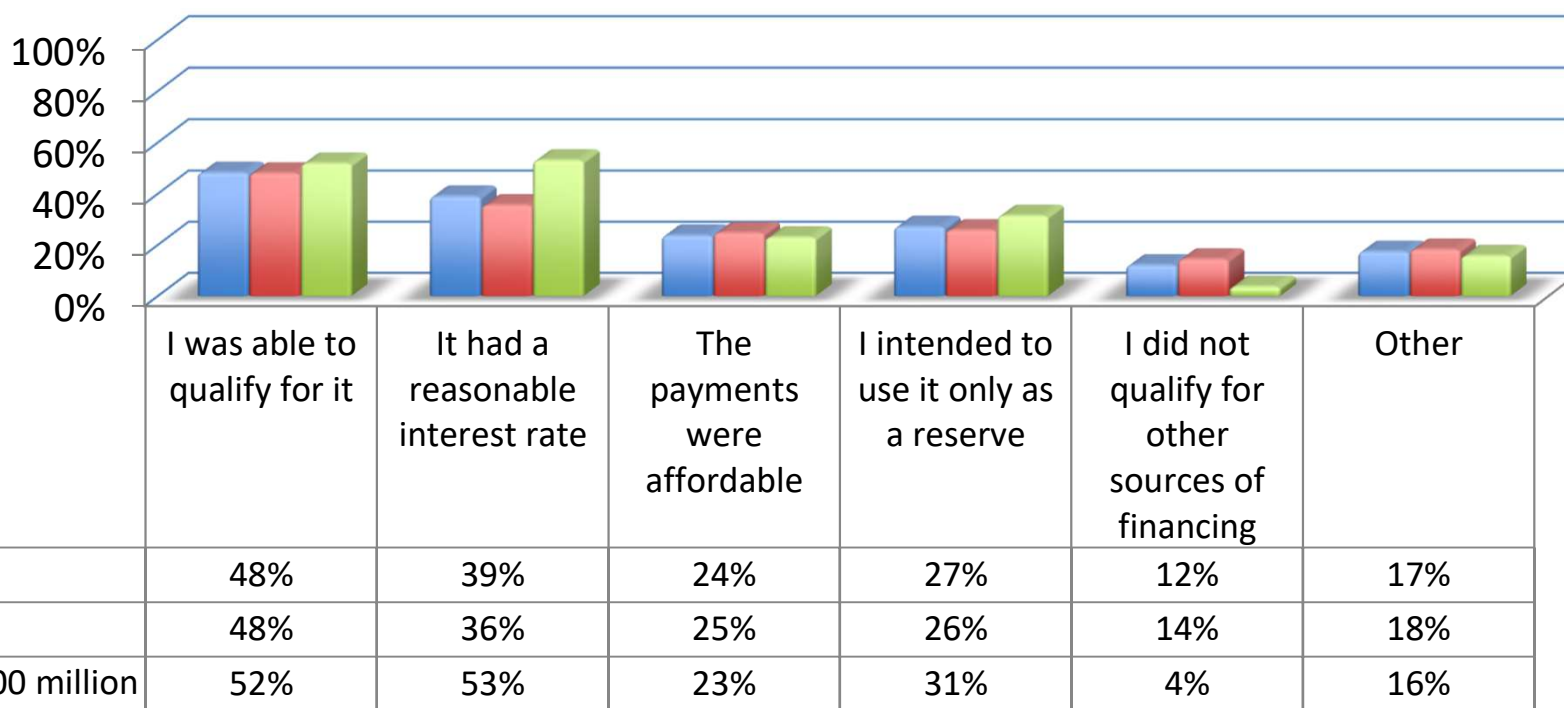
HOW HAVE SLOWED ACCOUNTS RECEIVABLE PAYMENT PERIODS IMPACTED RESPONDENTS BUSINESS



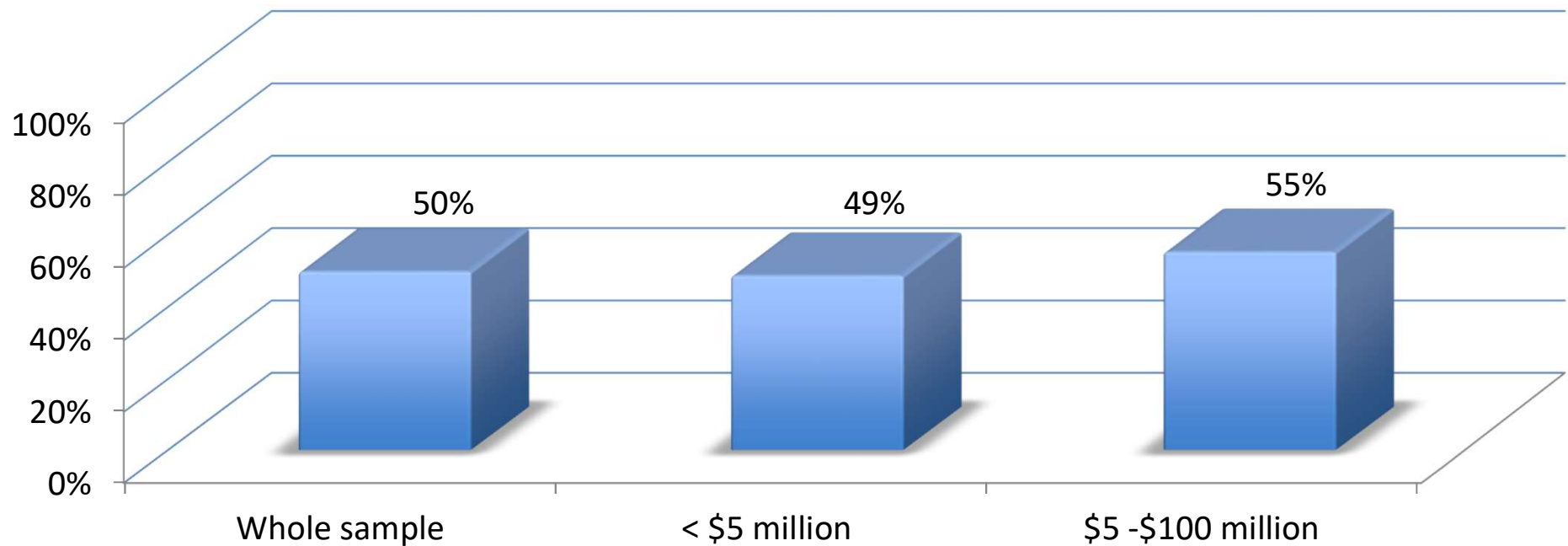
RESPONDENTS PRIMARY SOURCE OF CREDIT IN THE LAST QUARTER



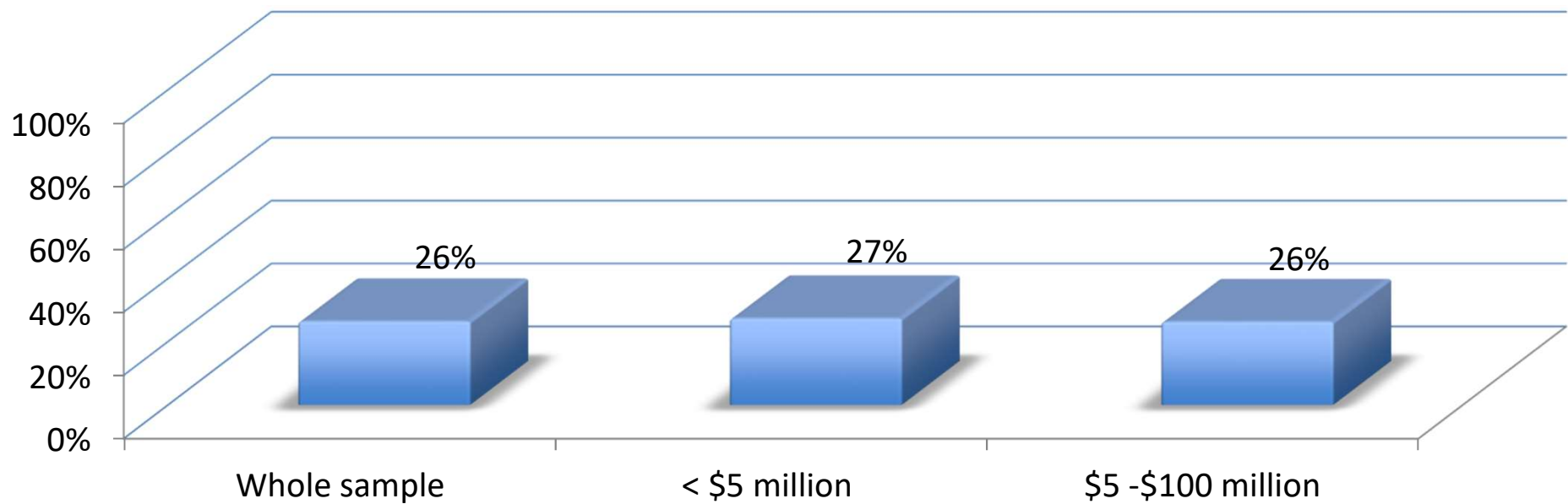
WHY WAS THAT THE PRIMARY SOURCE OF CREDIT IN LAST QUARTER



PERCENTAGE OF BUSINESSES THAT HAVE FINANCING COMING FROM OUTSIDE SOURCES



PERCENTAGE OF RESPONDENTS WHO ATTEMPTED TO RAISE OUTSIDE FINANCING IN THE LAST THREE MONTHS



III. ACCESSIBILITY/SUCCESS RATE

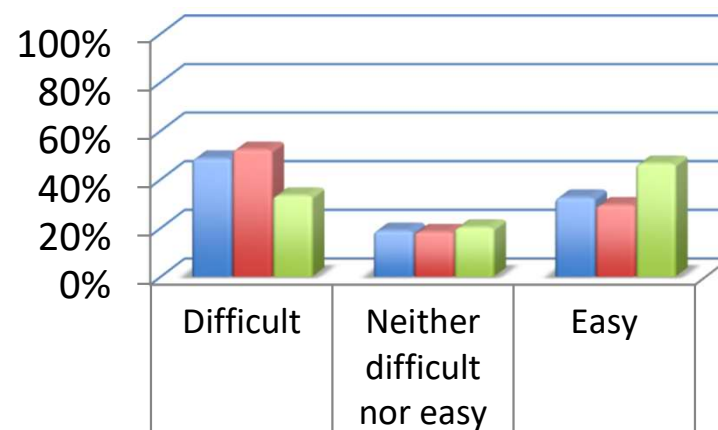
IS IT DIFFICULT OR EASY TO RAISE NEW EXTERNAL FINANCING?

Equity financing



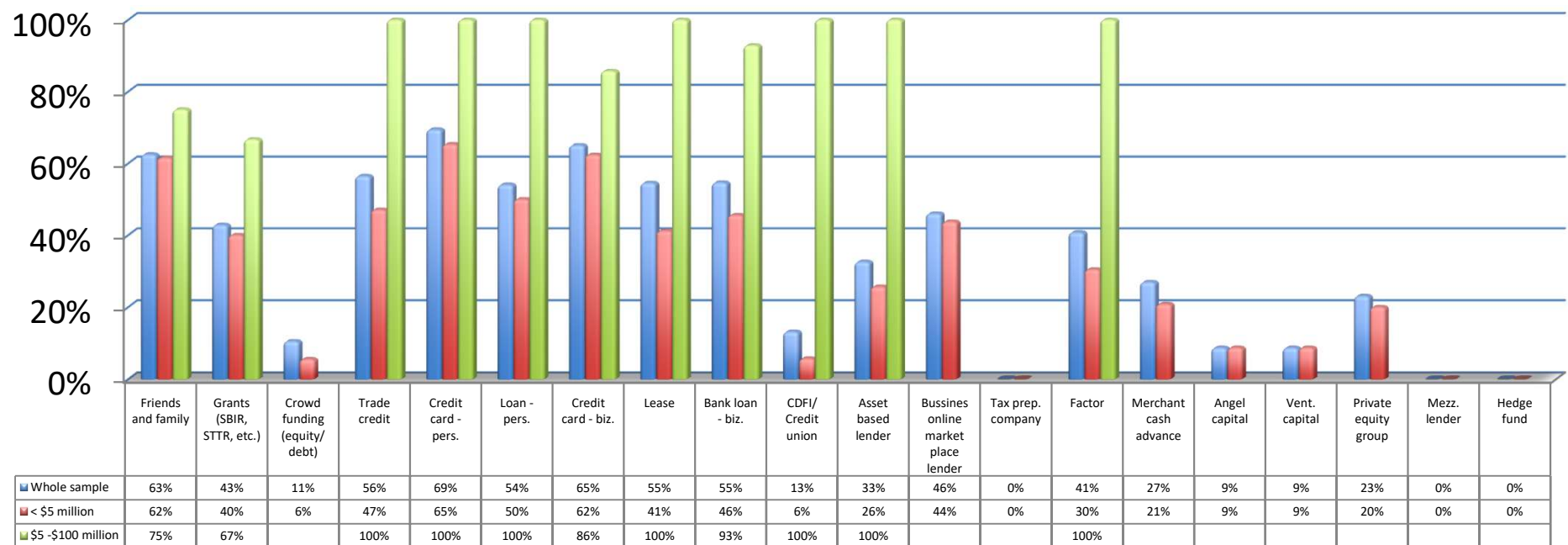
Whole sample	51%	21%	28%
< \$5 million	56%	21%	24%
\$5-\$100 million	33%	19%	48%

Debt financing

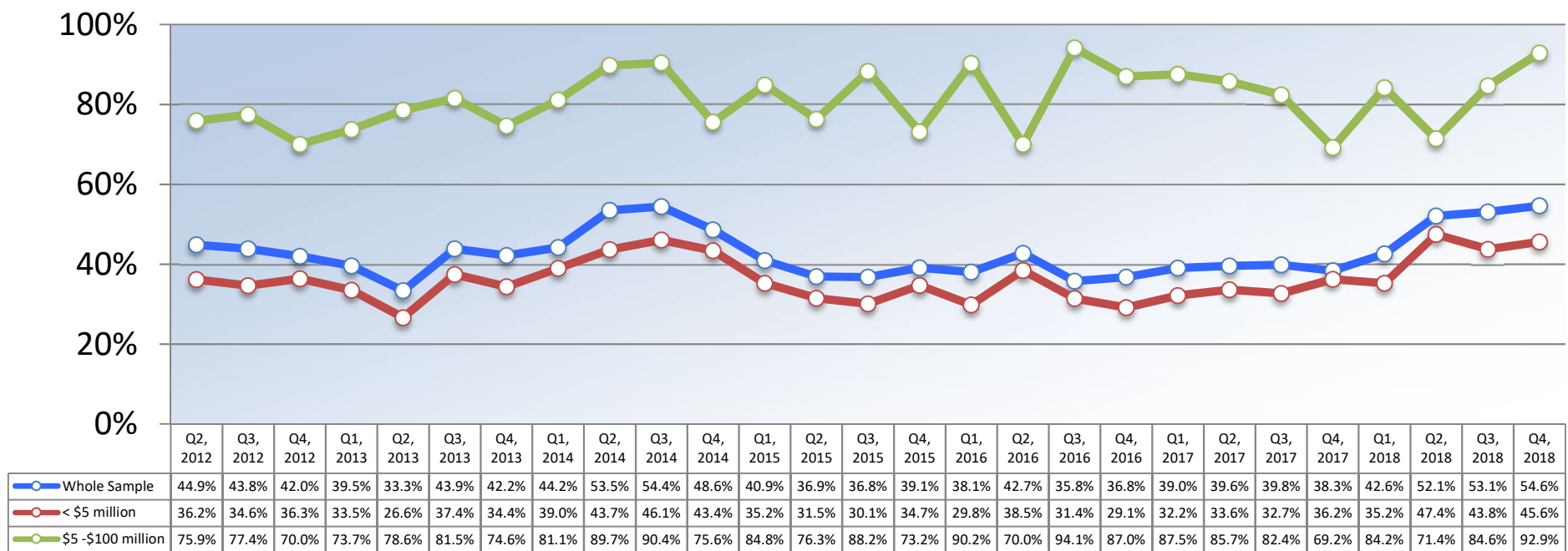


Whole sample	49%	19%	33%
< \$5 million	52%	18%	29%
\$5-\$100 million	33%	20%	46%

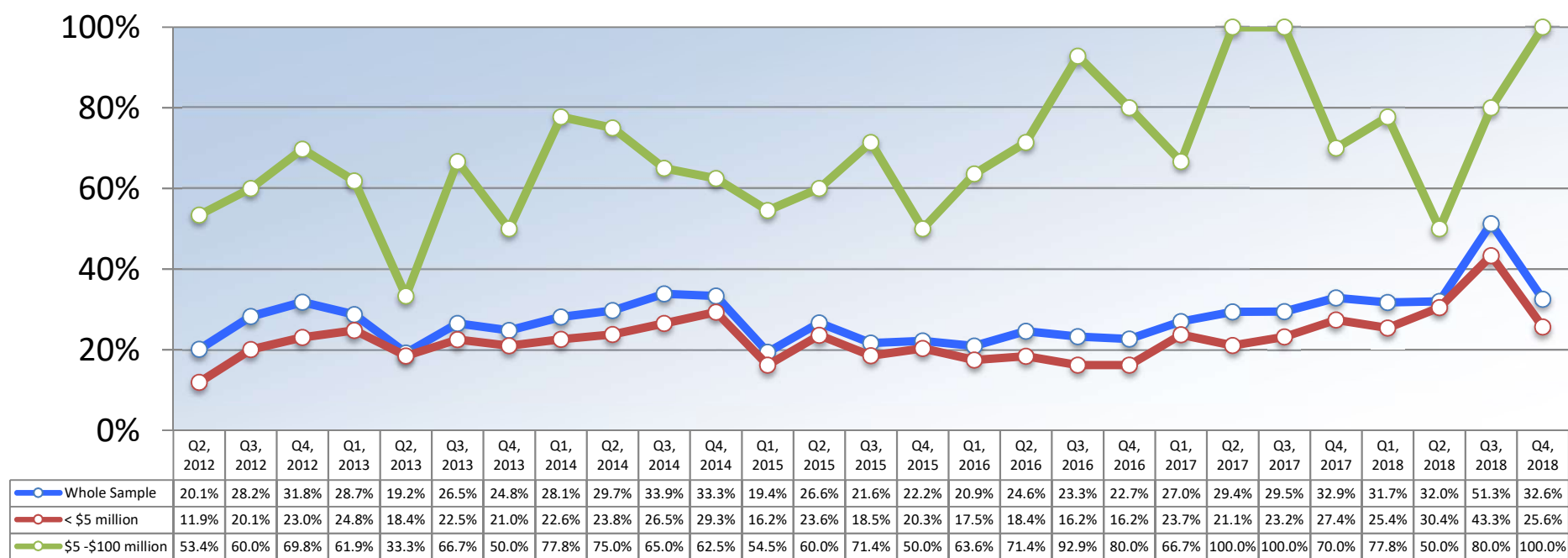
FINANCING SUCCESS RATES BY TYPE AND BUSINESS SIZE FOR PRIOR THREE MONTHS



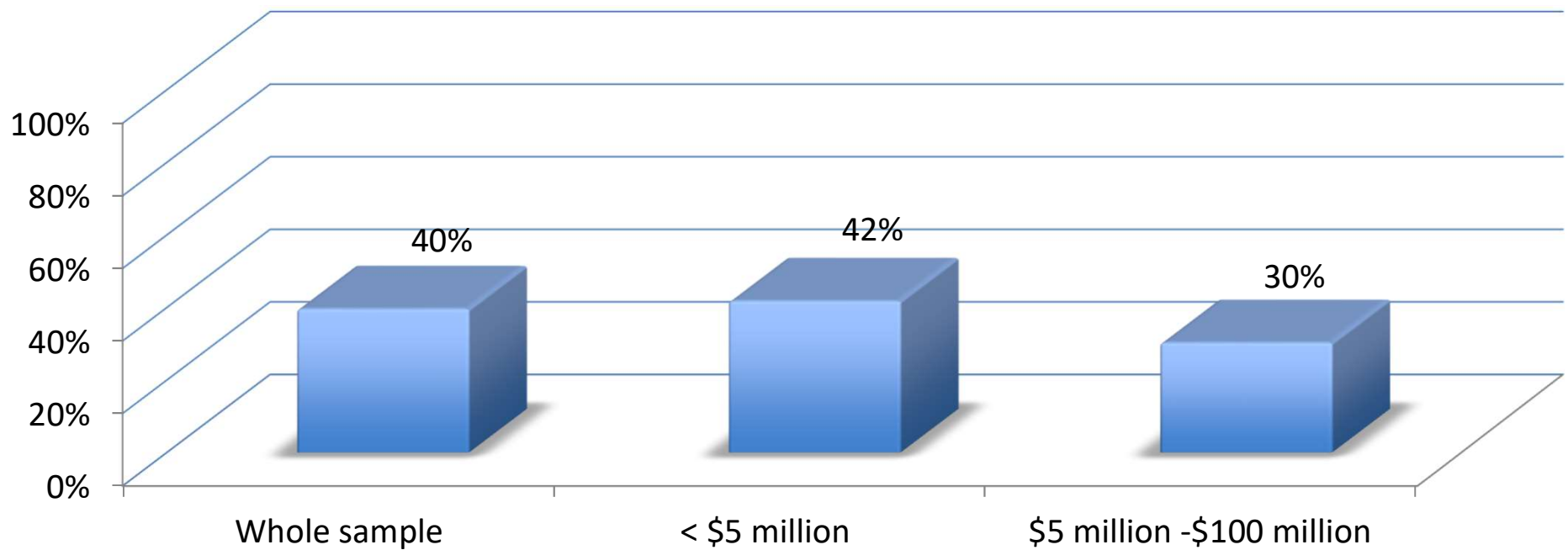
BANK LOANS: FINANCING SUCCESS RATES BY BUSINESS SIZE FOR PRIOR THREE MONTHS



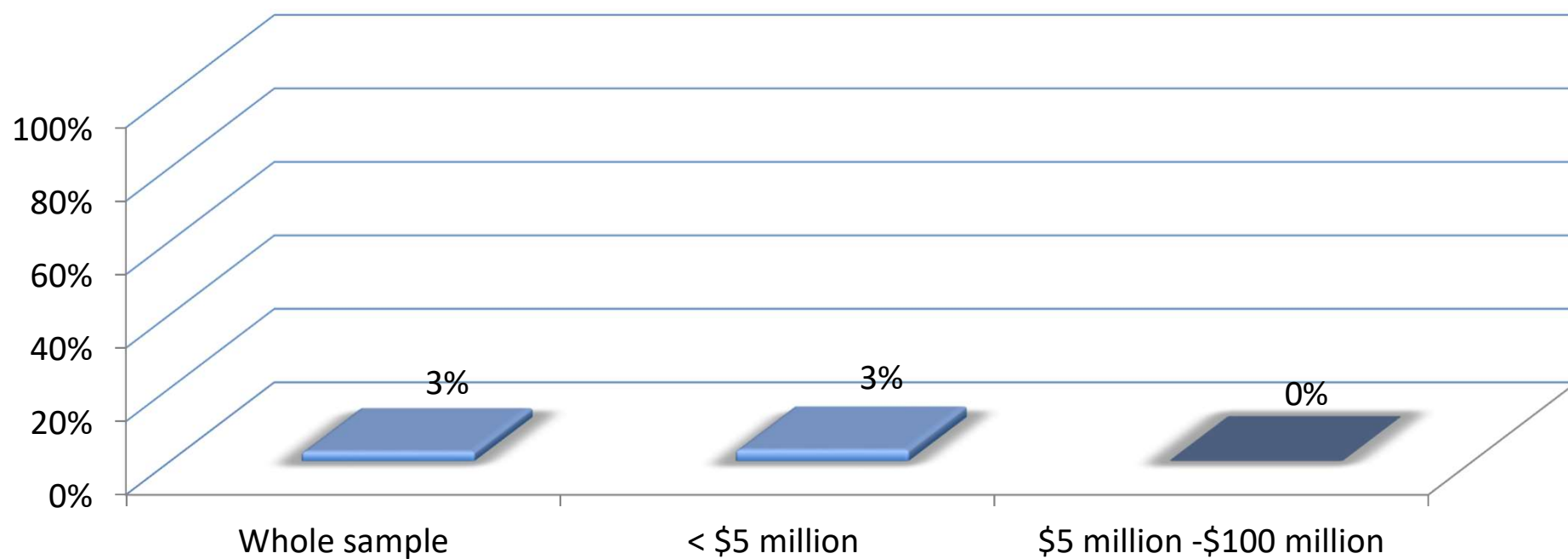
ASSET BASED LOANS: FINANCING SUCCESS RATES BY BUSINESS SIZE FOR PRIOR THREE MONTHS



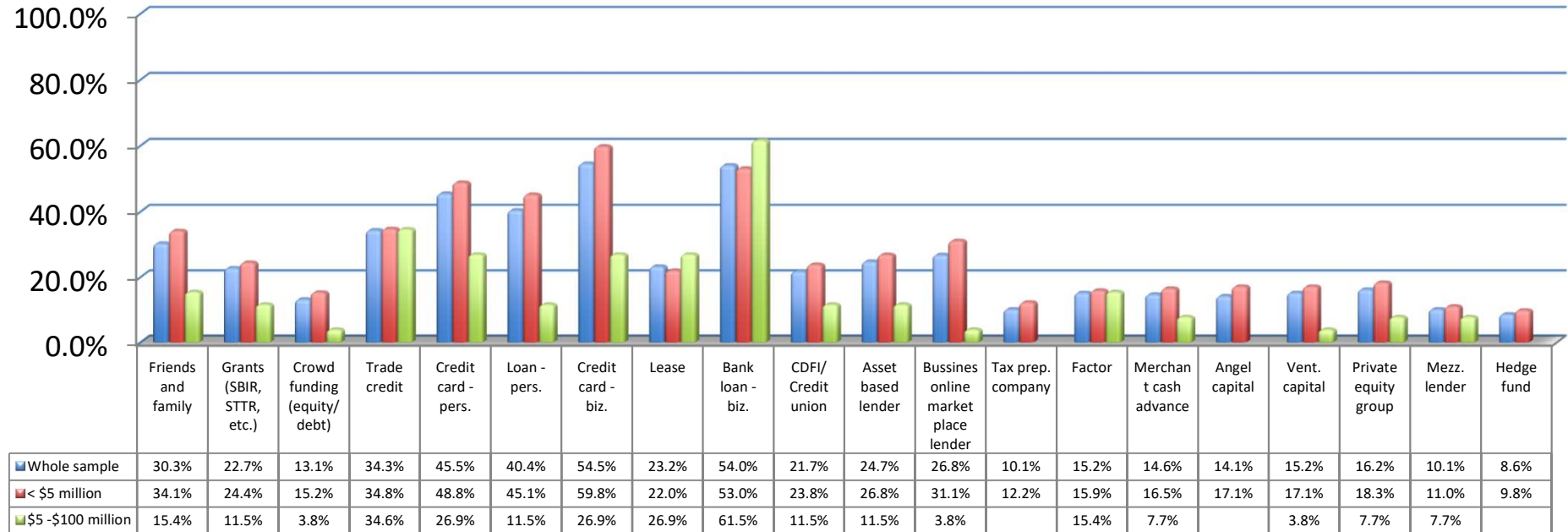
PERCENTAGE OF RESPONDENTS THAT HAVE CONSIDERED SBA LOAN FOR THEIR BUSINESSES



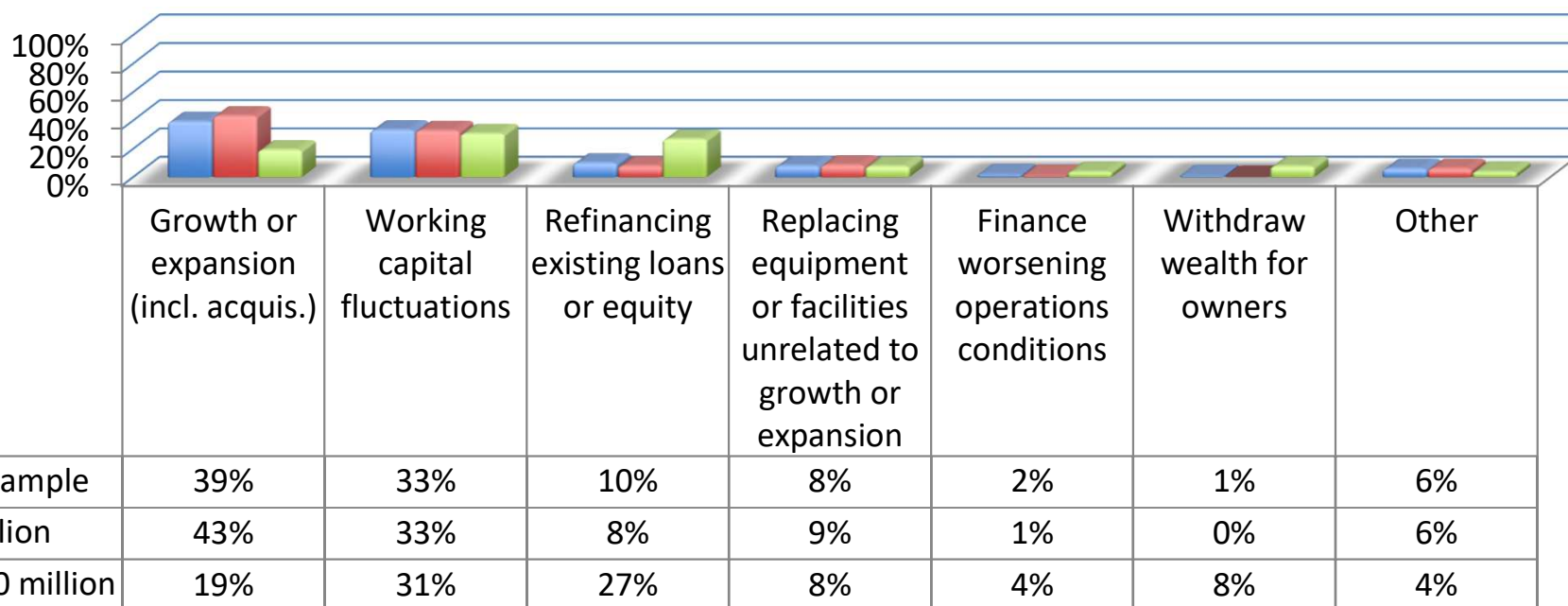
PERCENTAGE OF RESPONDENTS THAT HAVE SUCESSFULLY SECURED SBA BACKED LOAN IN THE LAST THREE MONTHS



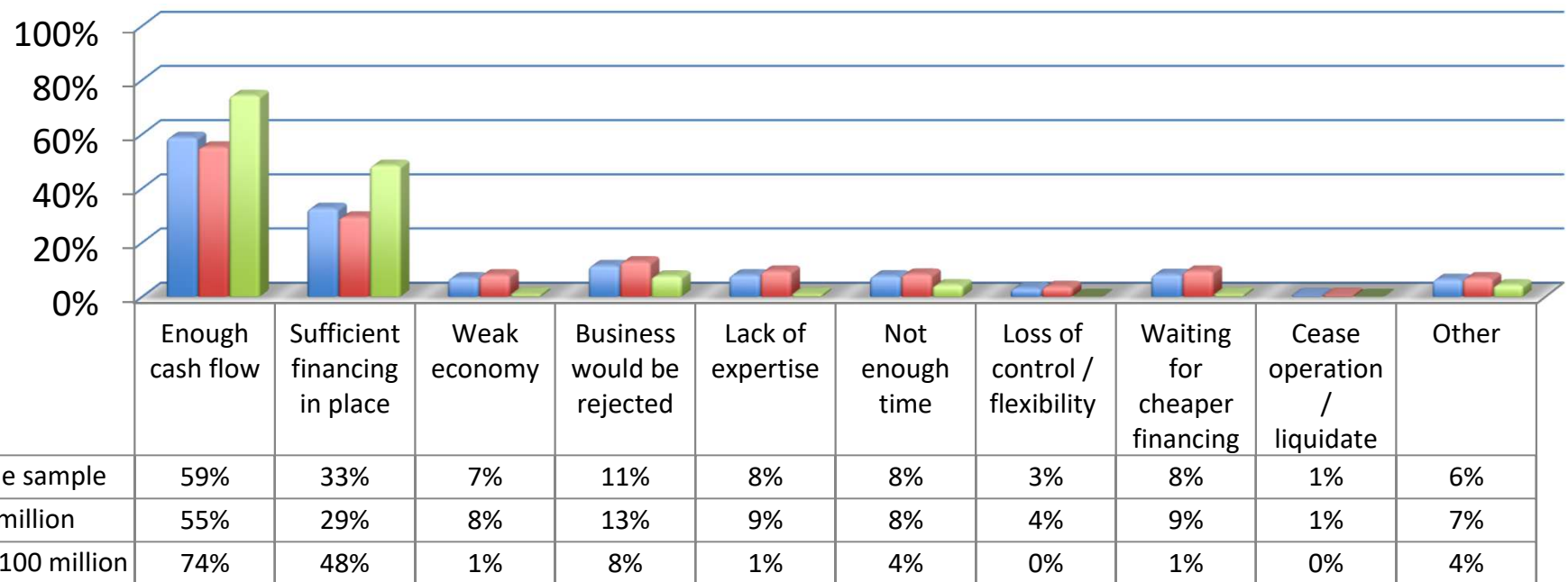
PERCENTAGE OF THOSE WHO ATTEMPTED TO RAISE FINANCING BY TYPE OF FINANCING FOR PRIOR THREE MONTHS



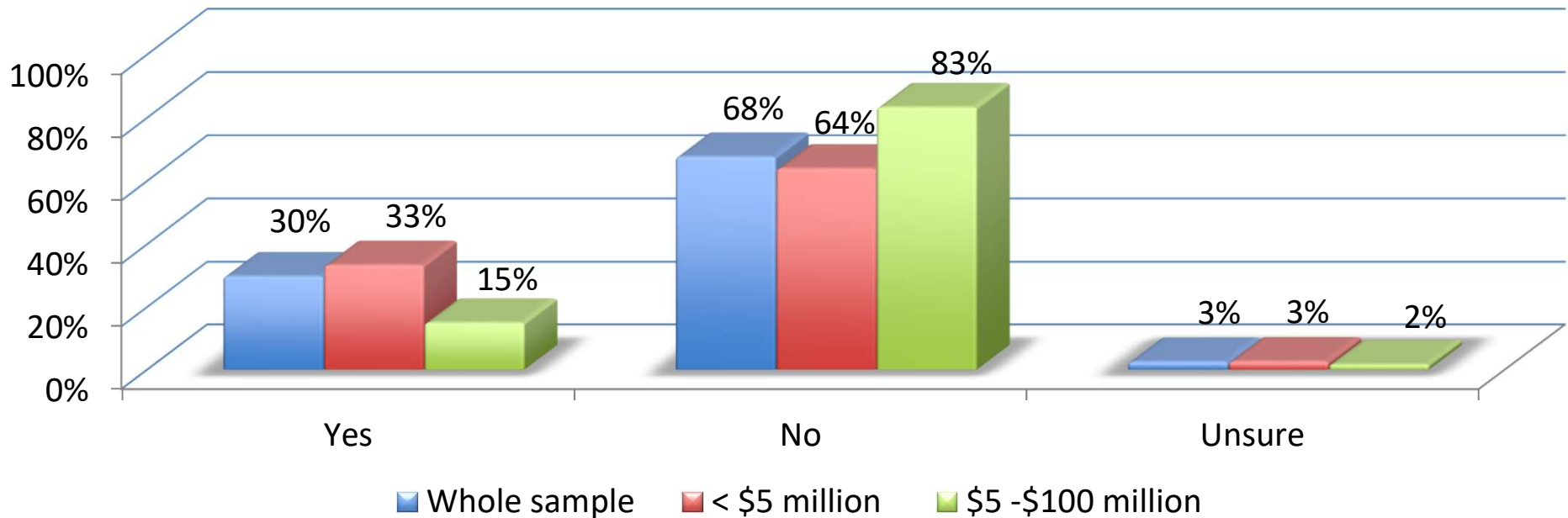
MAIN PURPOSE FOR RAISING OR ATTEMPTING TO RAISE FINANCING



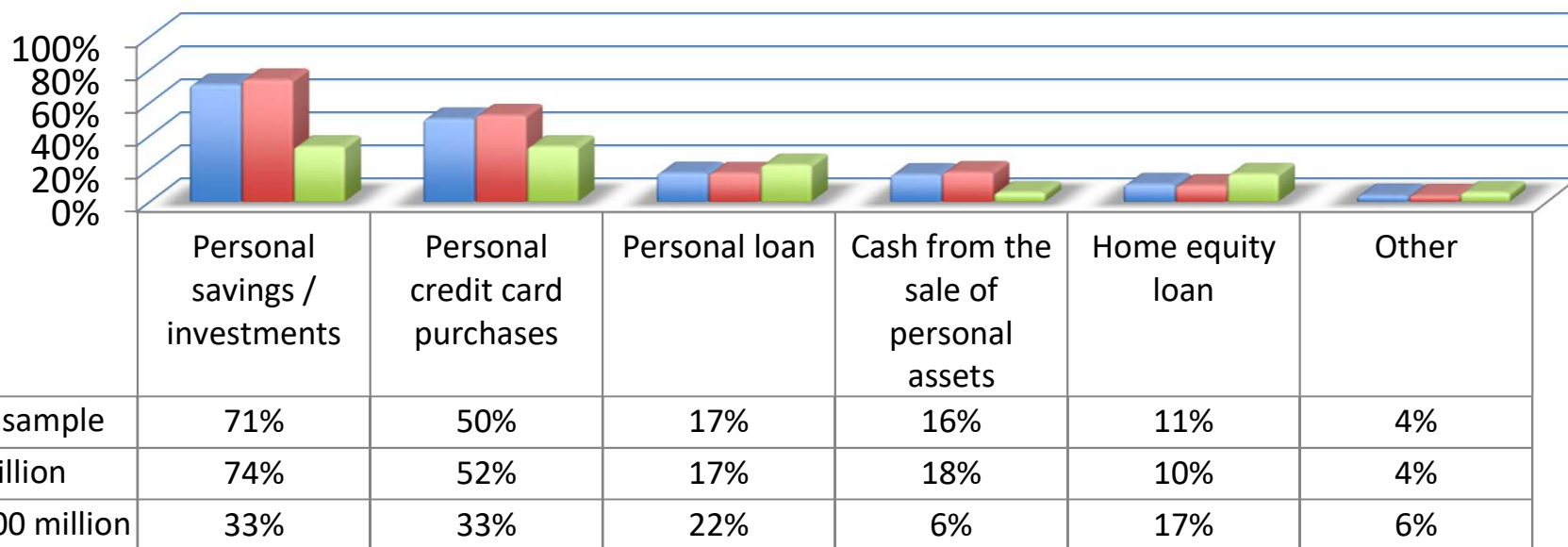
REASONS FOR BUSINESSES NOT ATTEMPTING TO RAISE EXTERNAL FINANCING (MULTIPLE SELECTIONS)



PERCENTAGE OF OWNERS WHO TRANSFERRED PERSONAL ASSETS TO BUSINESS OVER PRIOR THREE MONTHS

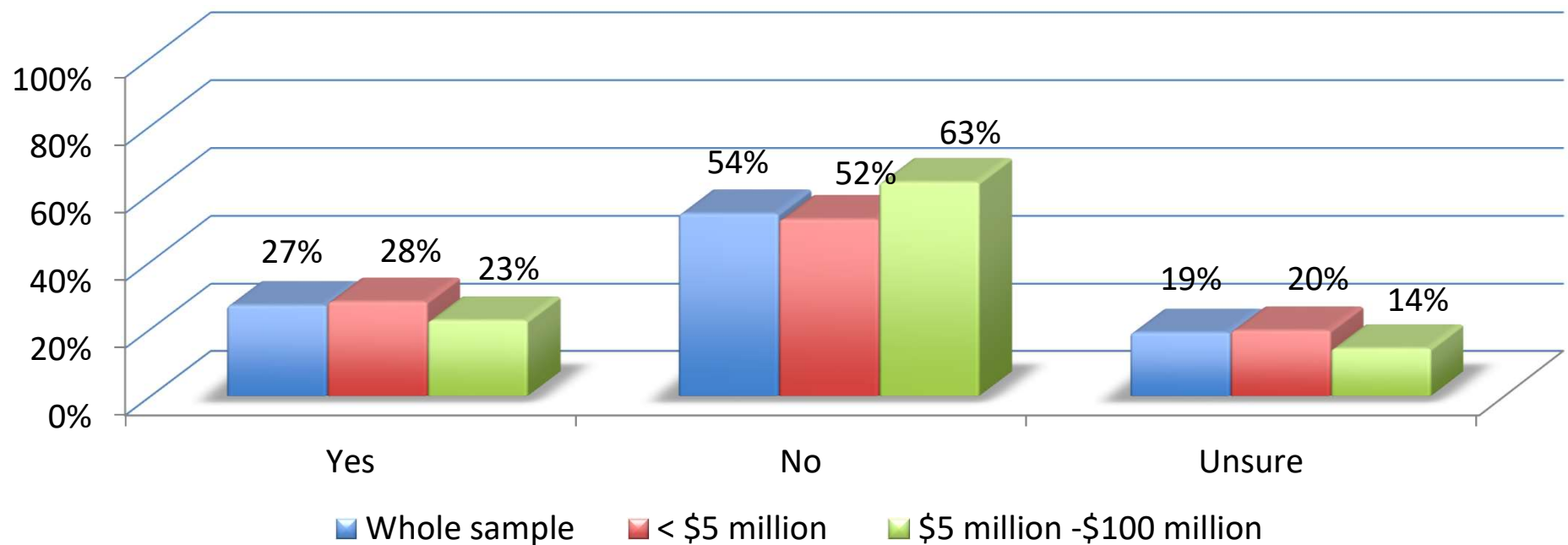


TYPES OF PERSONAL ASSETS TRANSFERRED TO BUSINESS DURING PRIOR THREE MONTHS (MULTIPLE SELECTIONS)

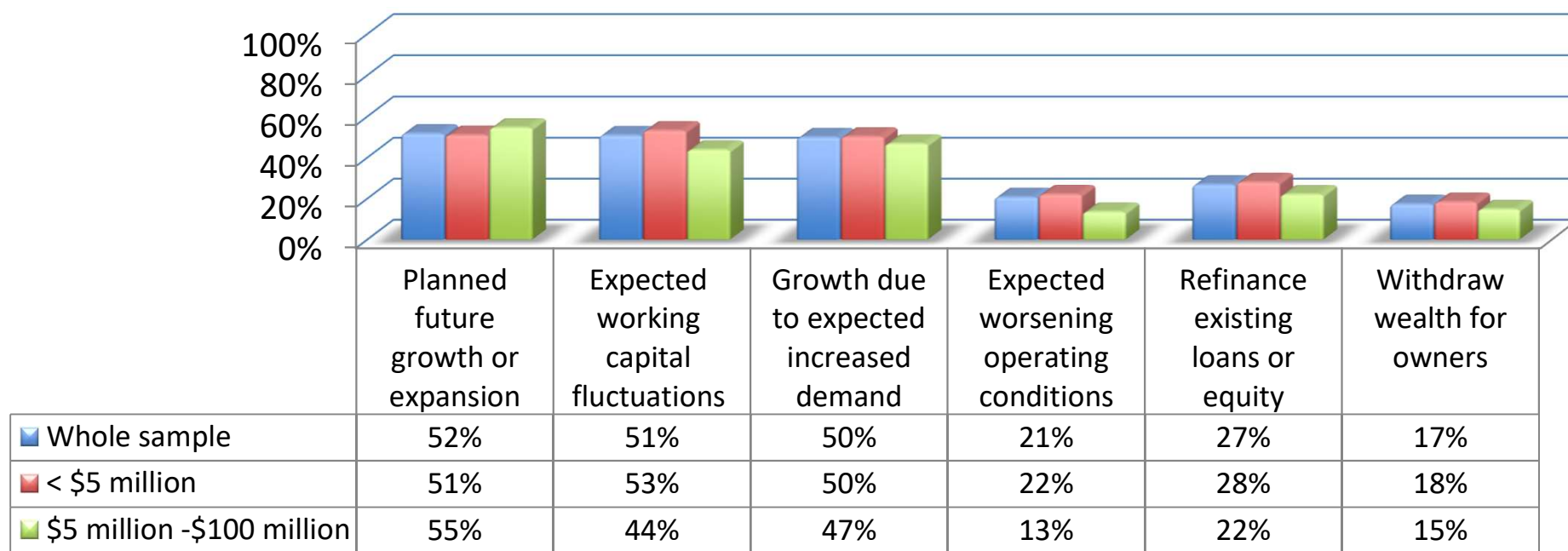


IV. EXPECTED DEMAND FOR EXTERNAL FINANCING

PERCENTAGE OF BUSINESSES PLANNING TO RAISE FINANCING IN THE NEXT SIX MONTHS

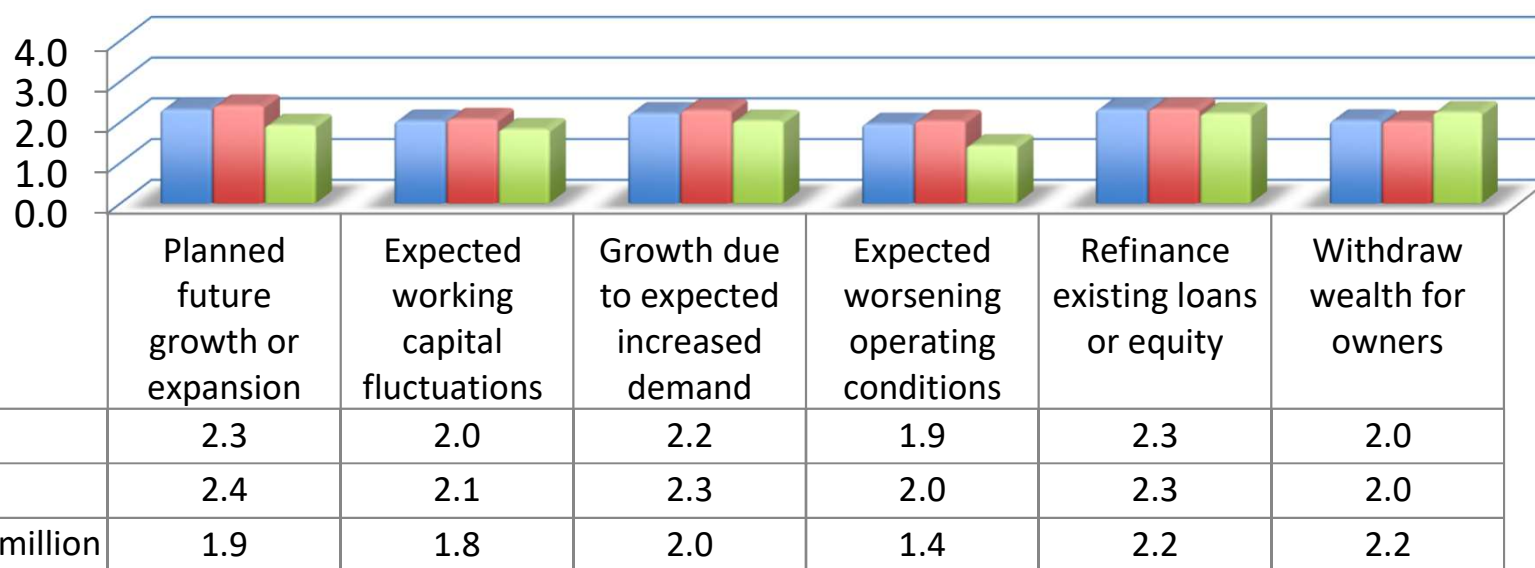


PERCENTAGE OF RESPONDENTS INDICATING DEMAND FOR NEW FINANCING IN THE NEXT SIX MONTHS

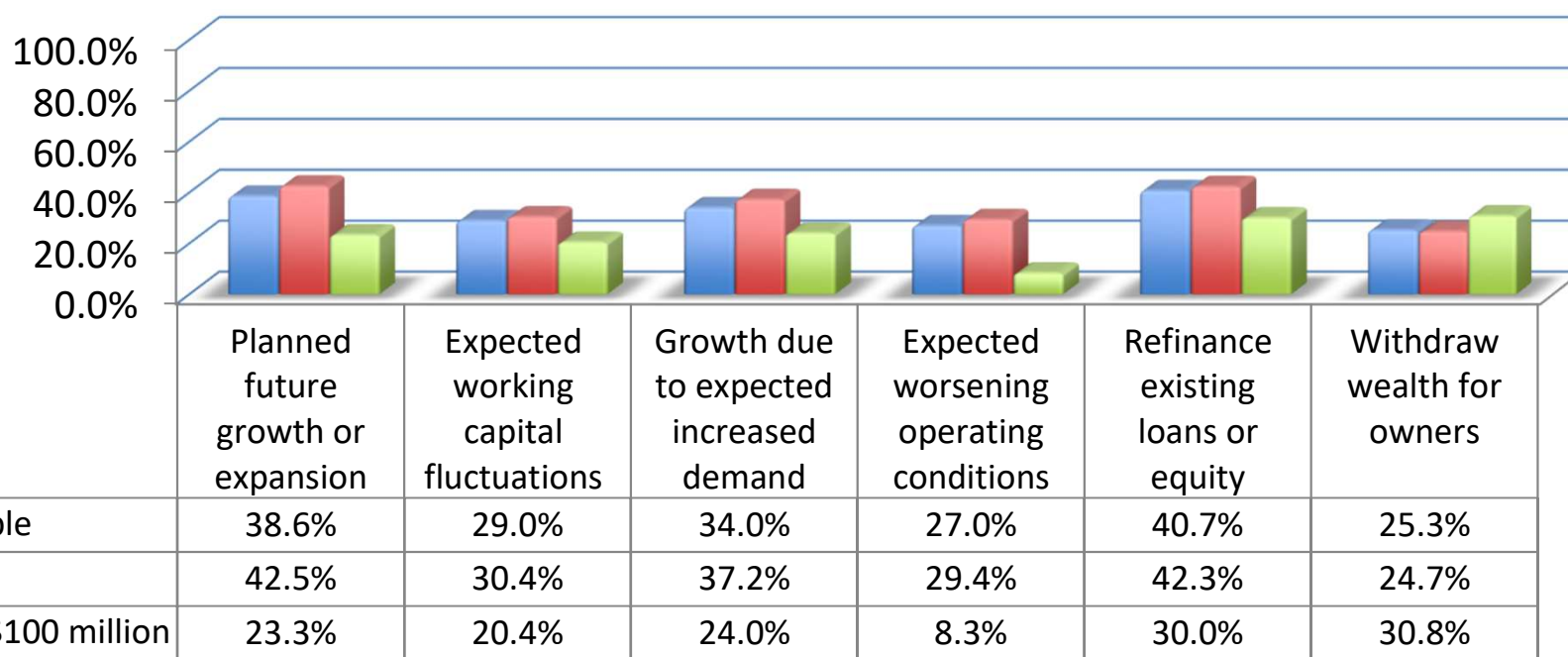


STRENGTH OF EXPECTED DEMAND FOR NEW EXTERNAL FINANCING IN THE NEXT SIX MONTHS

(SCALE 1-4: SLIGHT, MODERATE, HIGH, EXTREMELY HIGH)



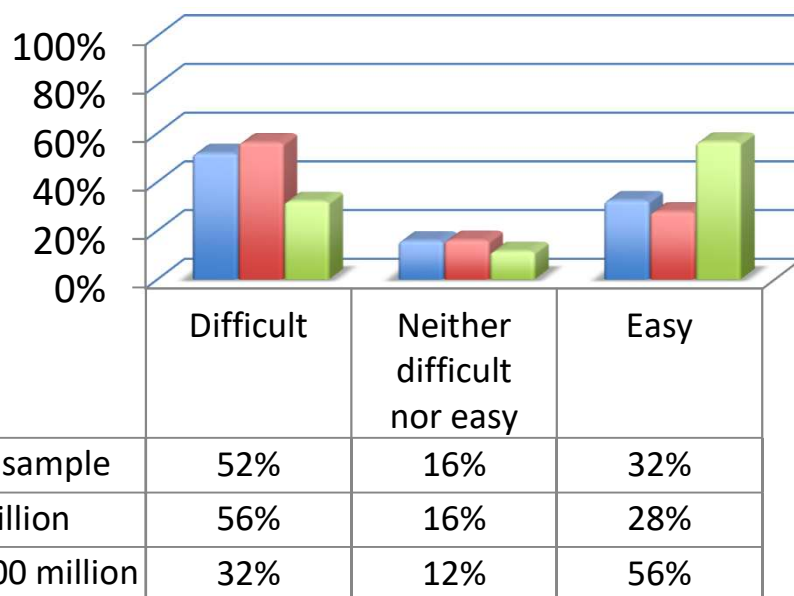
RESPONDENTS INDICATING HIGH OR EXTREMELY HIGH EXPECTED DEMAND FOR NEW EXTERNAL FINANCING IN THE NEXT SIX MONTHS



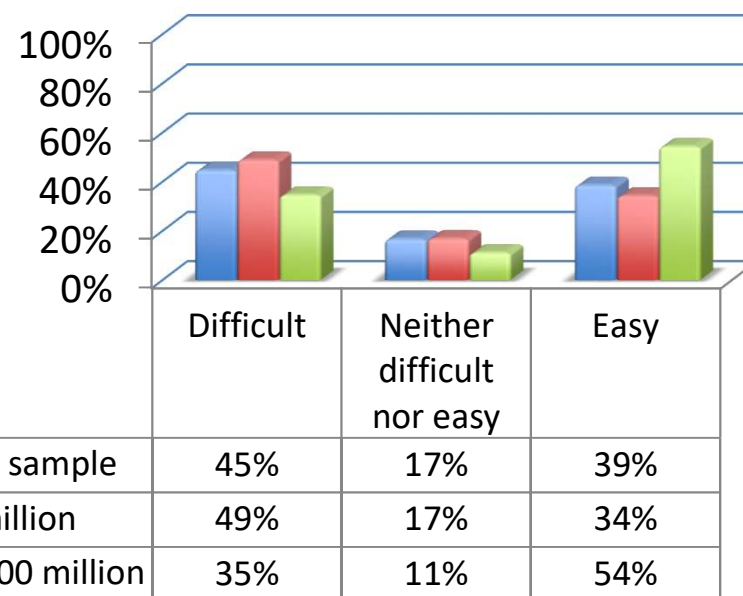
V. EXPECTED ACCESS RATES

DO YOU EXPECT IT WOULD BE EASY OR DIFFICULT TO RAISE NEW FINANCING IN THE NEXT SIX MONTHS?

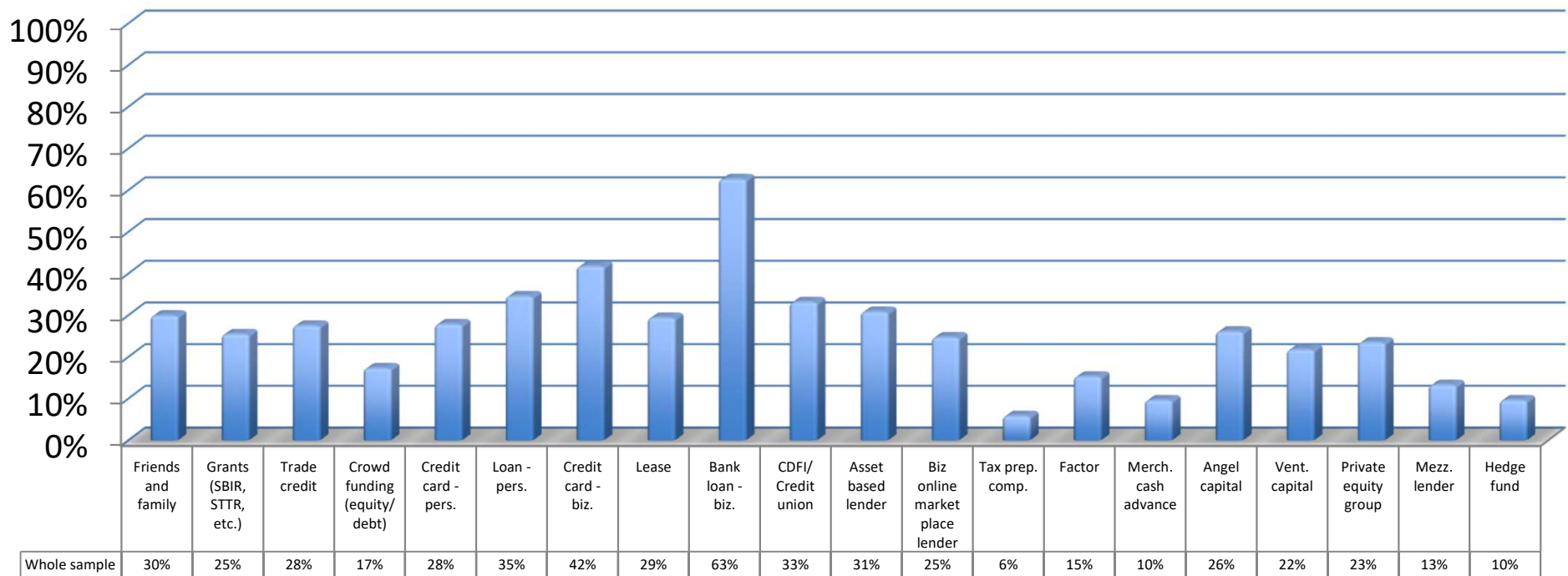
Equity financing



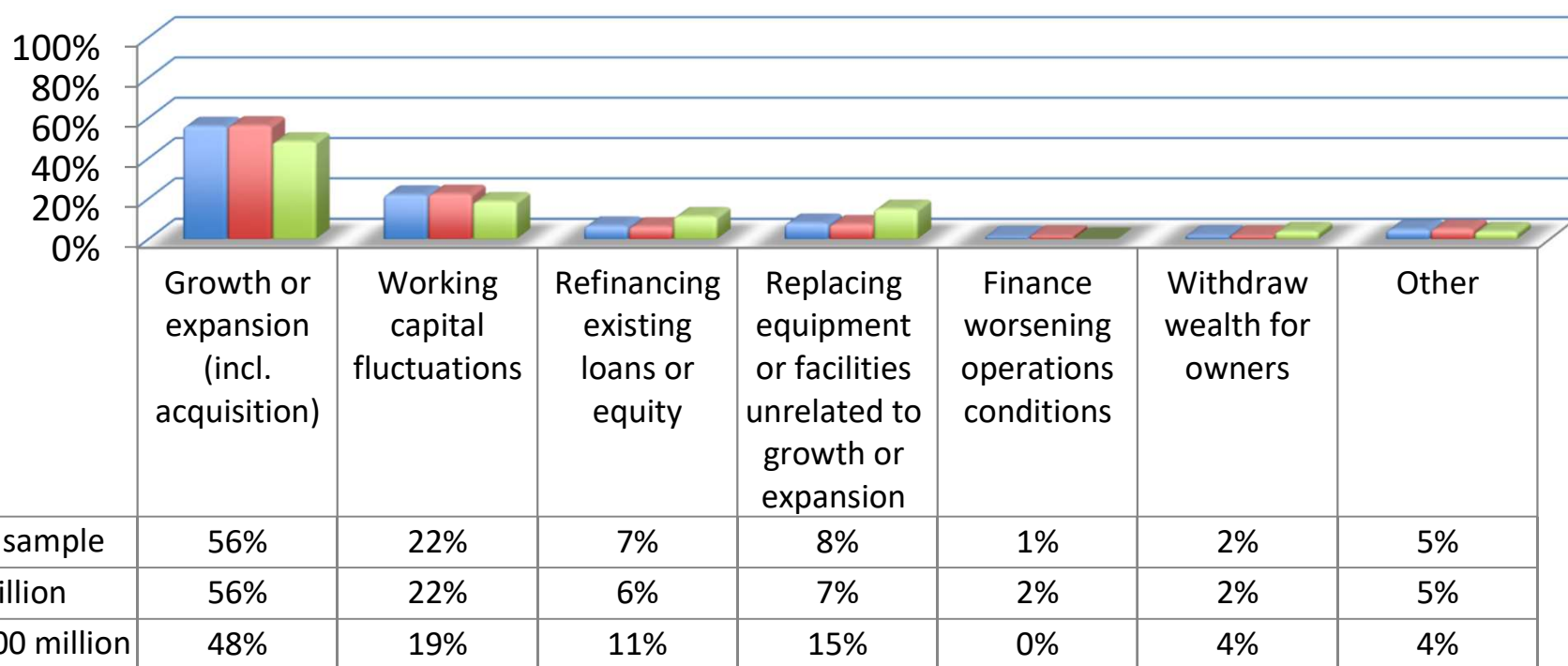
Debt financing



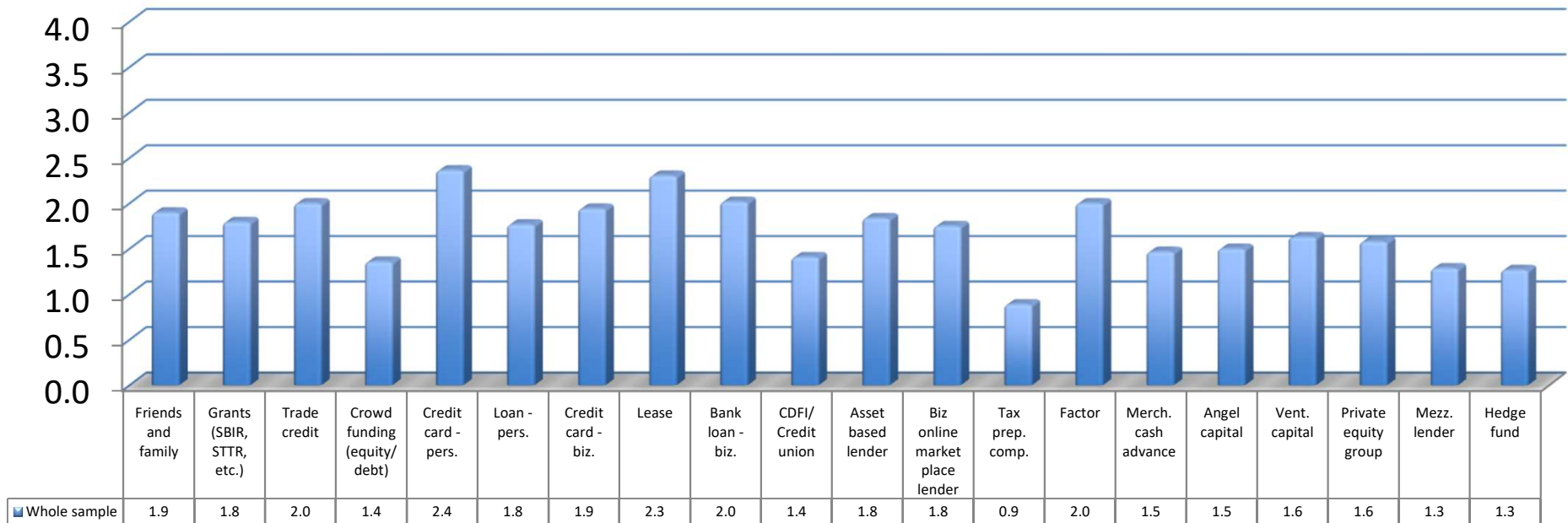
LIKELY SOURCES OF FINANCING



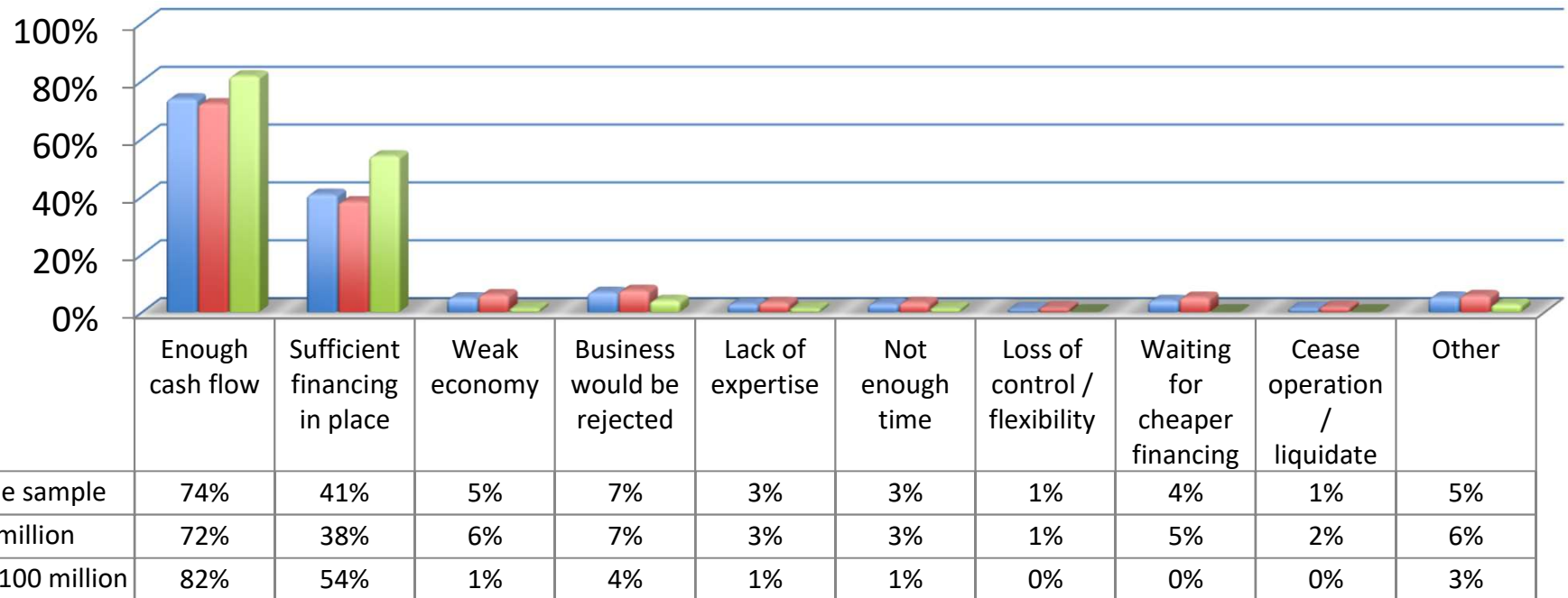
MAIN PURPOSE FOR RAISING EXPECTED FINANCING



LEVEL OF CONFIDENCE FOR SUCCESSFUL FINANCING (SCALE 0-4: NONE; SOME; MODERATELY; VERY; COMPLETELY)

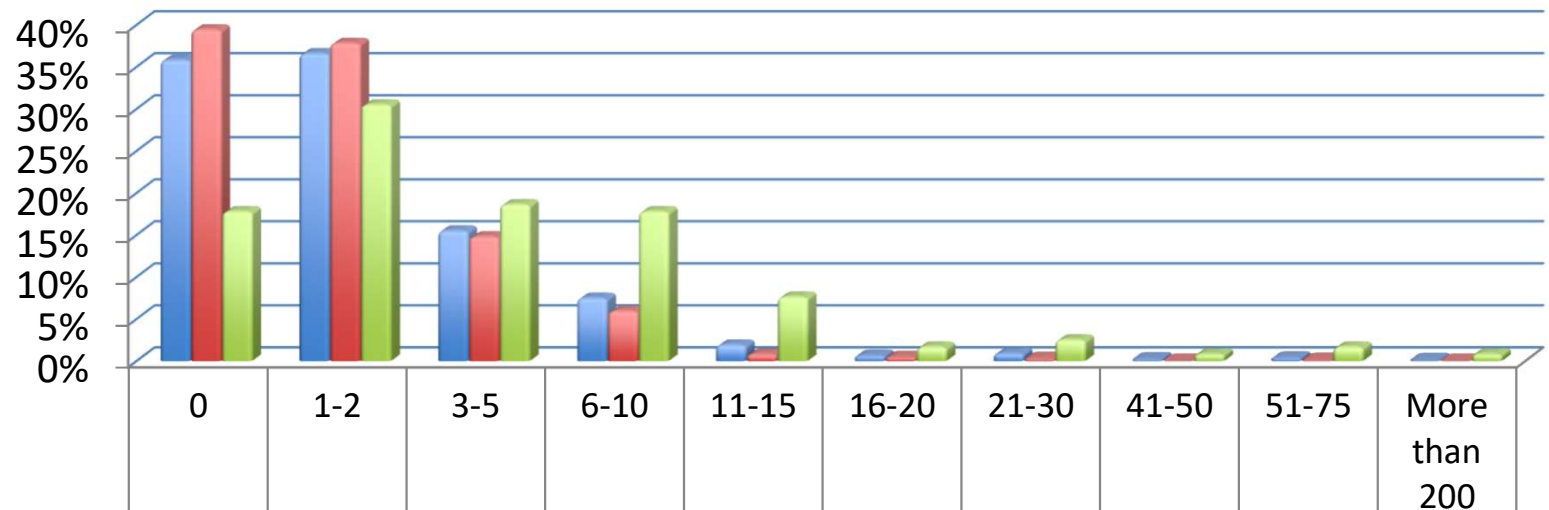


REASONS FOR NOT PLANNING ON RAISING FINANCING

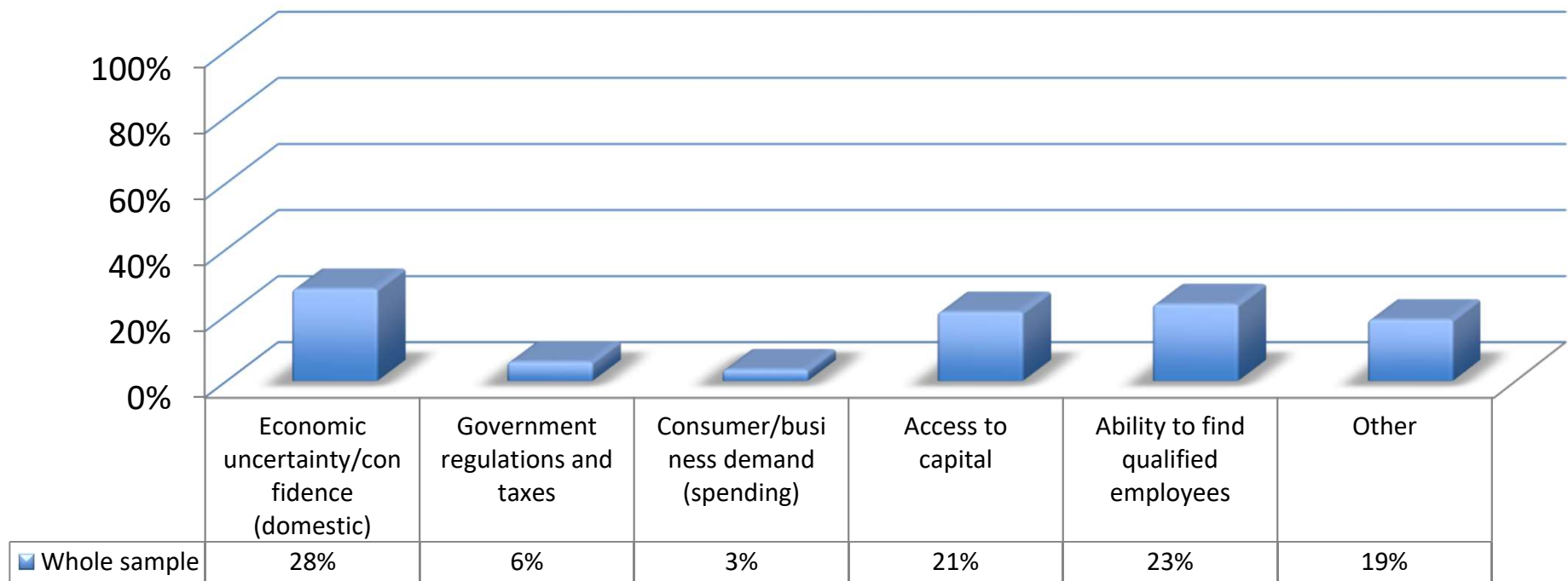


VI. HIRING / GROWTH OUTLOOKS AND FINANCING FAILURE IMPACTS

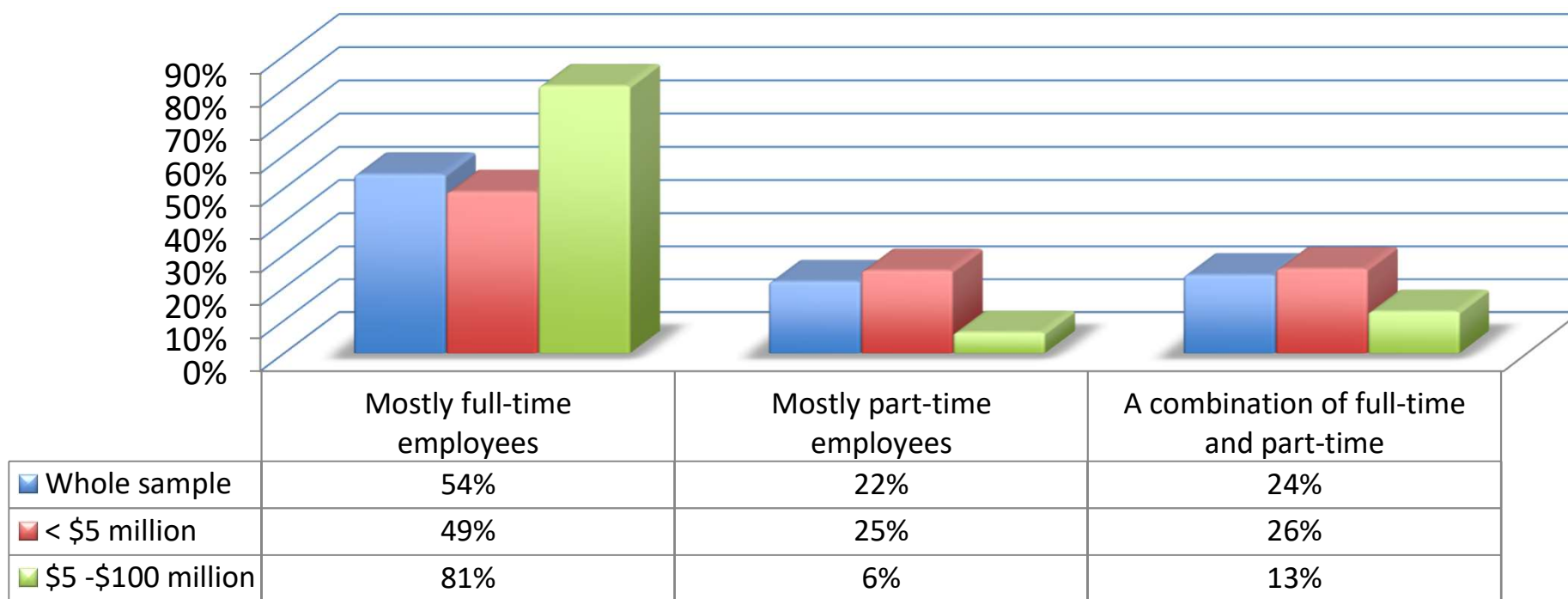
NUMBER OF EMPLOYEES PLANNED TO BE HIRED IN THE NEXT SIX MONTHS



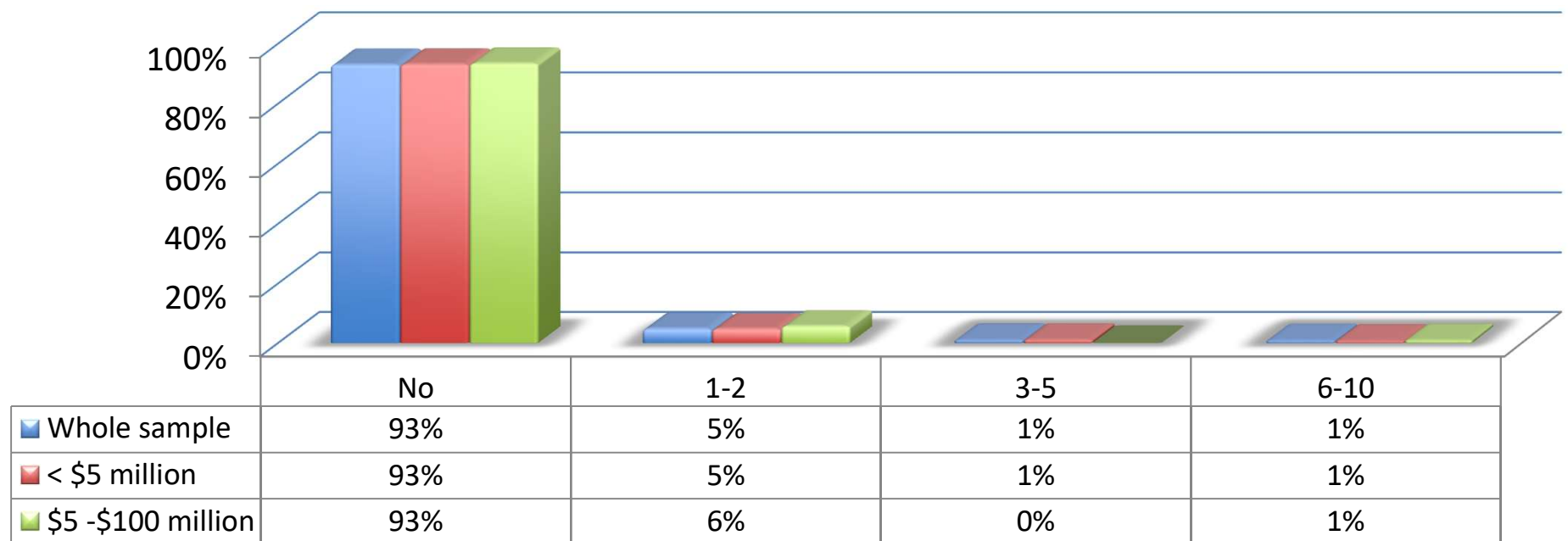
REASONS PREVENTING RESPONDENTS FROM HIRING



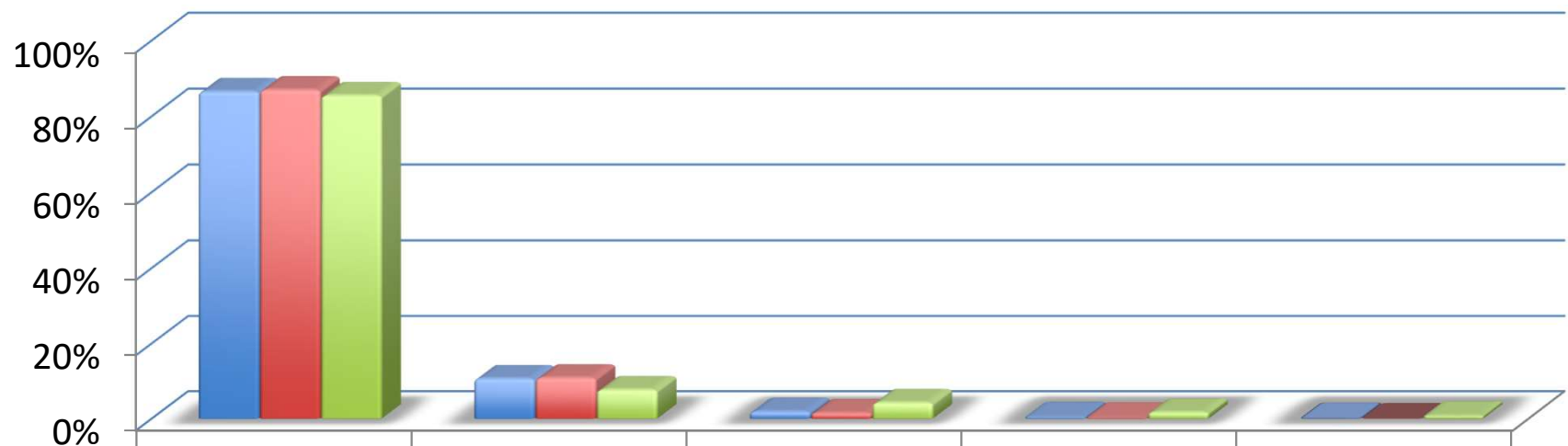
WILL EMPLOYEES PLANNED TO BE HIRED BE FULL-TIME OR PART-TIME



DO RESPONDENTS EXPECT TO DECREASE THE NUMBER OF EMPLOYEES IN THE NEXT SIX MONTHS

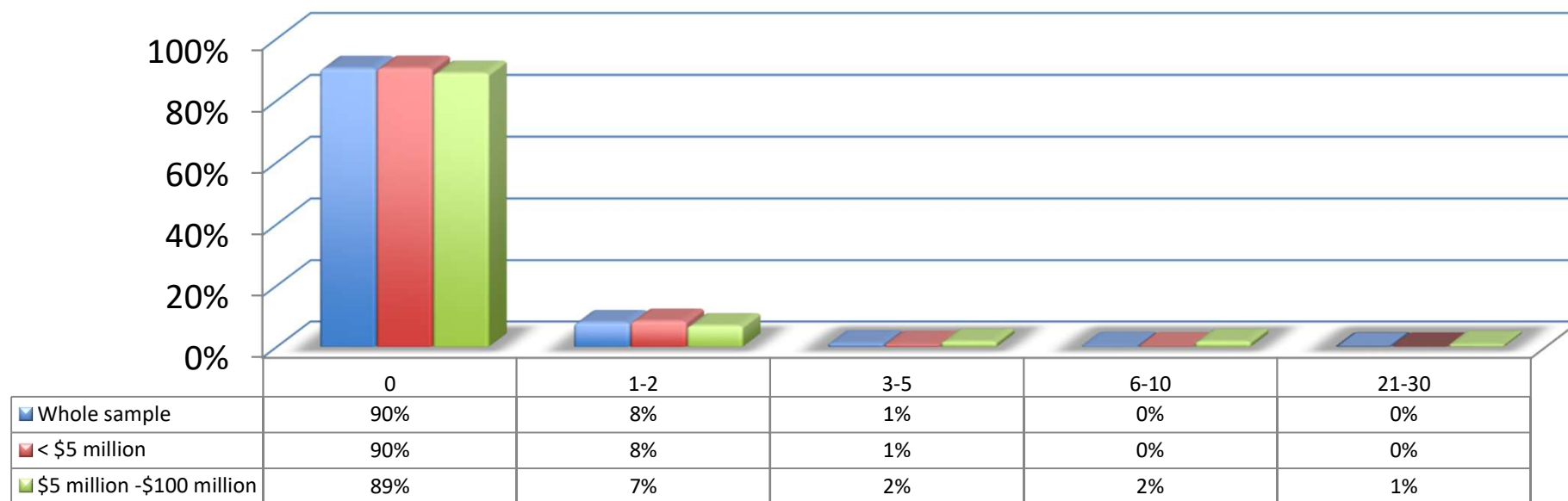


HOW MANY FULL-TIME EMPLOYEES RESPONDENTS REPLACED WITH (OR CONVERTED TO) PART-TIME EMPLOYEES IN THE LAST SIX MONTHS

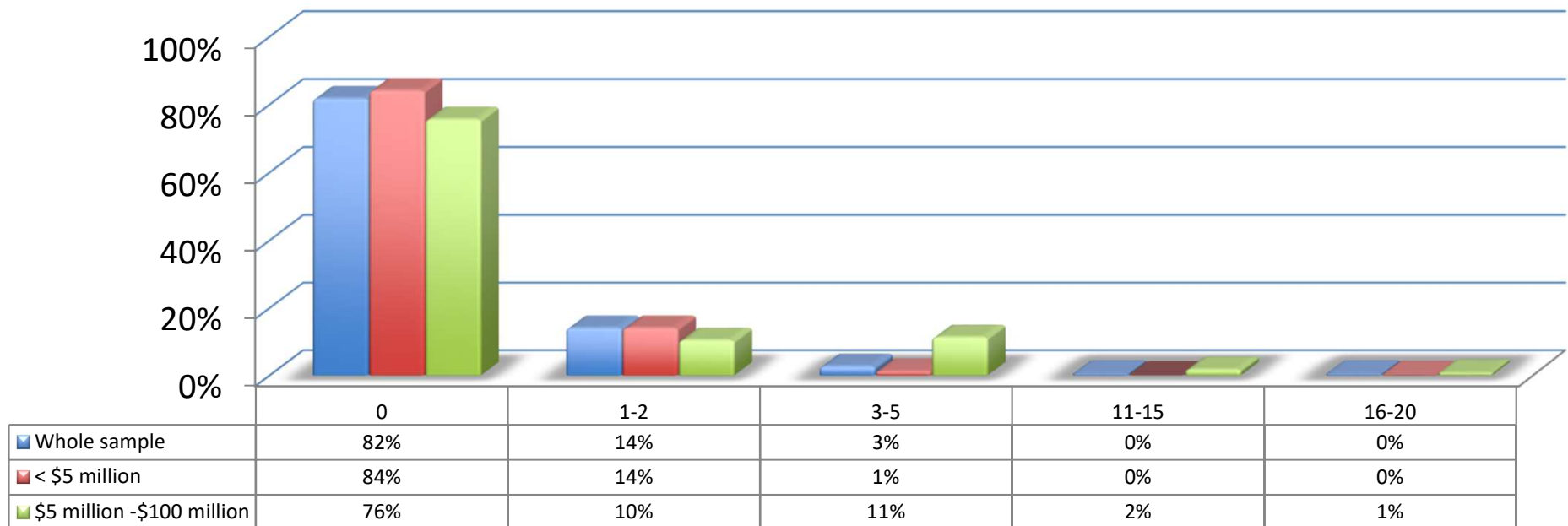


	0	1-2	3-5	6-10	21-30
Whole sample	87%	11%	2%	1%	0%
< \$5 million	87%	11%	2%	0%	0%
\$5 million - \$100 million	85%	8%	4%	2%	1%

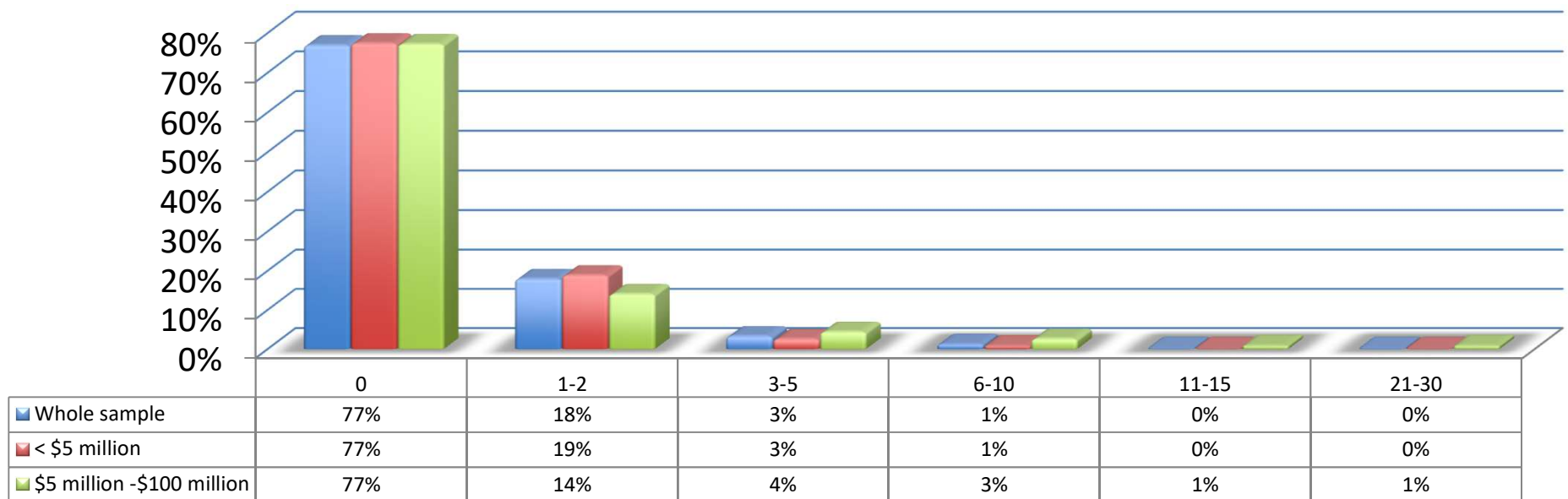
HOW MANY FULL-TIME EMPLOYEES RESPONDENTS ARE PLANNING TO REPLACE WITH (OR CONVERT TO) PART-TIME EMPLOYEES IN THE NEXT SIX MONTHS



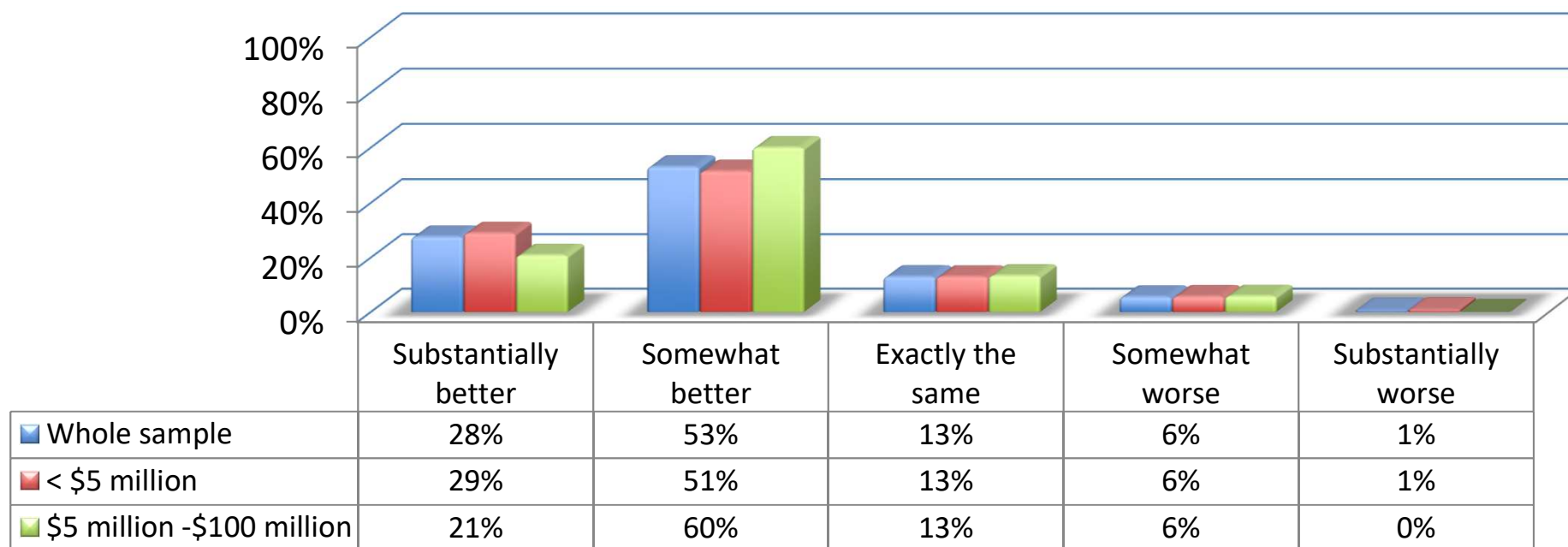
HOW MANY PART-TIME EMPLOYEES RESPONDENTS REPLACED WITH (OR CONVERTED TO) FULL-TIME EMPLOYEES IN THE LAST SIX MONTHS



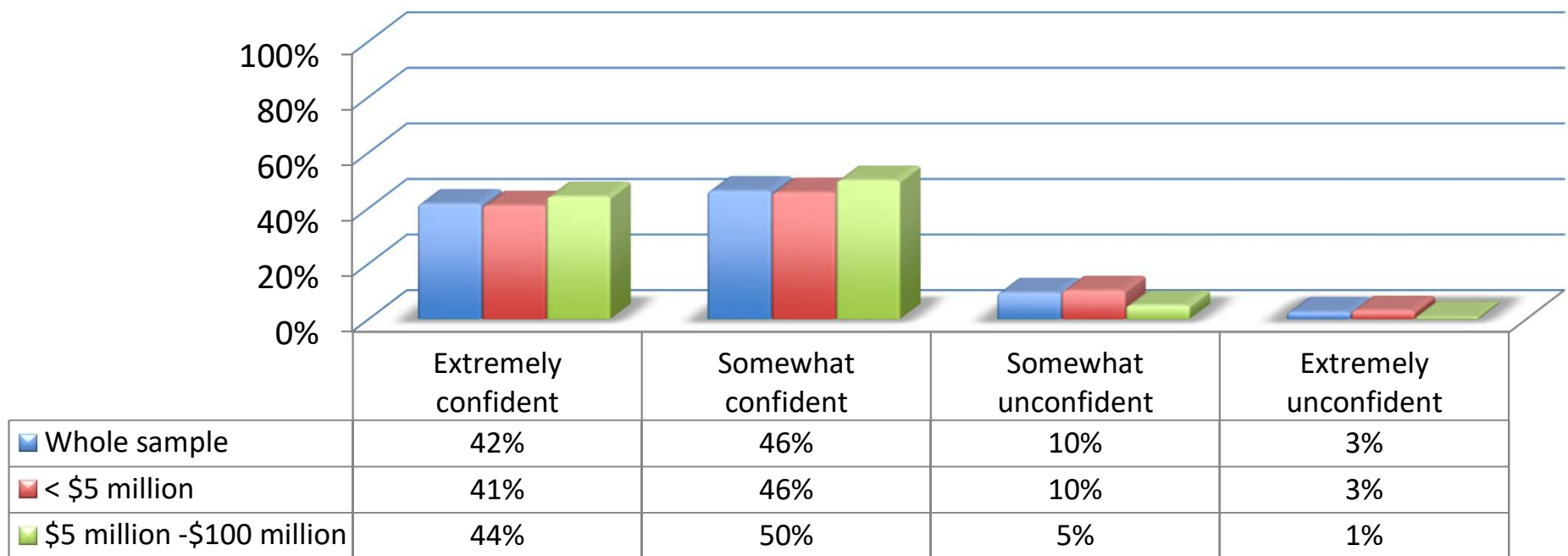
HOW MANY PART-TIME EMPLOYEES RESPONDENTS ARE PLANNING TO REPLACE WITH (OR CONVERT TO) FULL-TIME EMPLOYEES IN THE NEXT SIX MONTHS



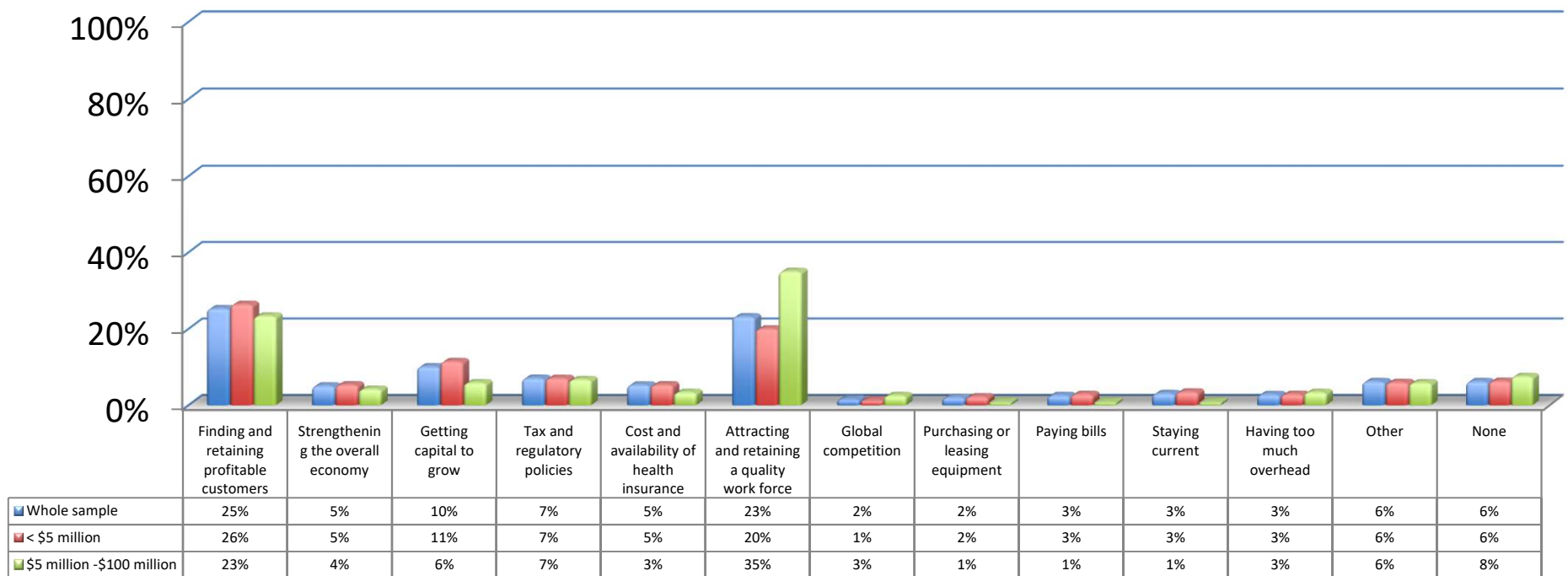
HOW RESPONDENTS EXPECT THEIR BUSINESS TO PERFORM IN 2019 COMPARED TO 2018



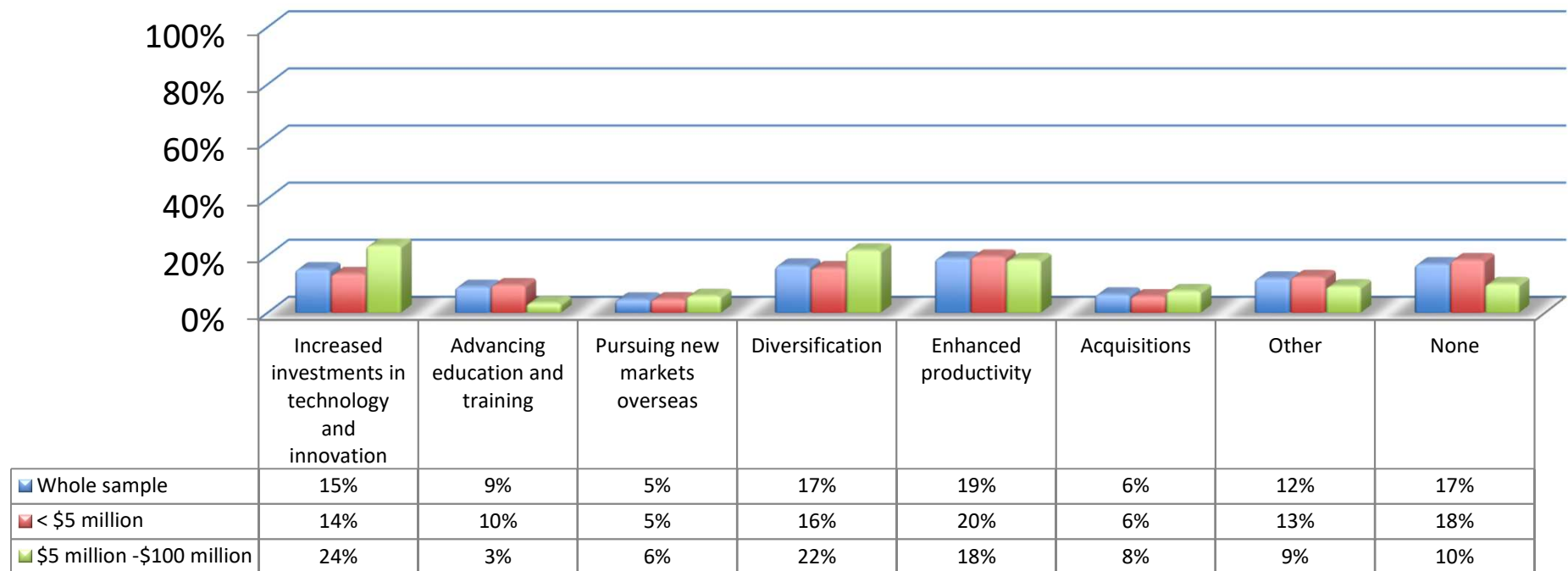
HOW CONFIDENT ARE RESPONDENTS THAT THEIR BUSINESS WILL GROW IN 2019



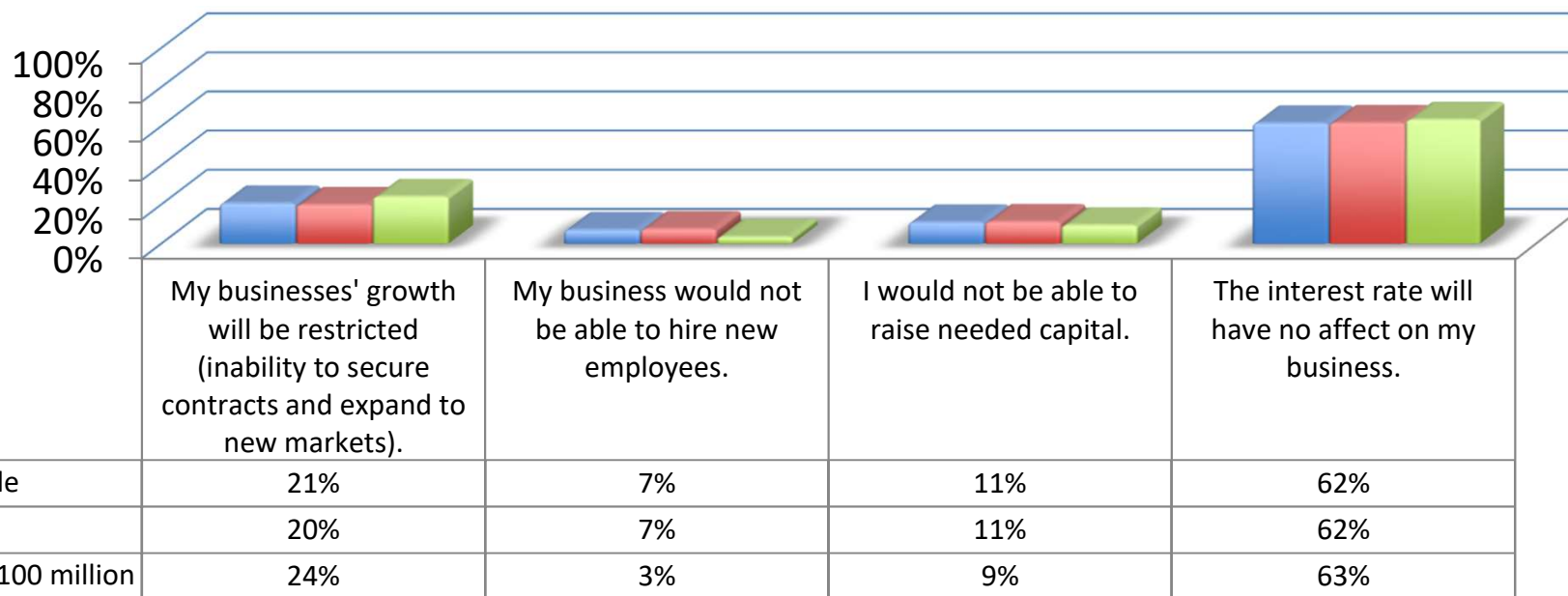
THE MOST SIGNIFICANT CHALLENGE FOR BUSINESS IN 2019



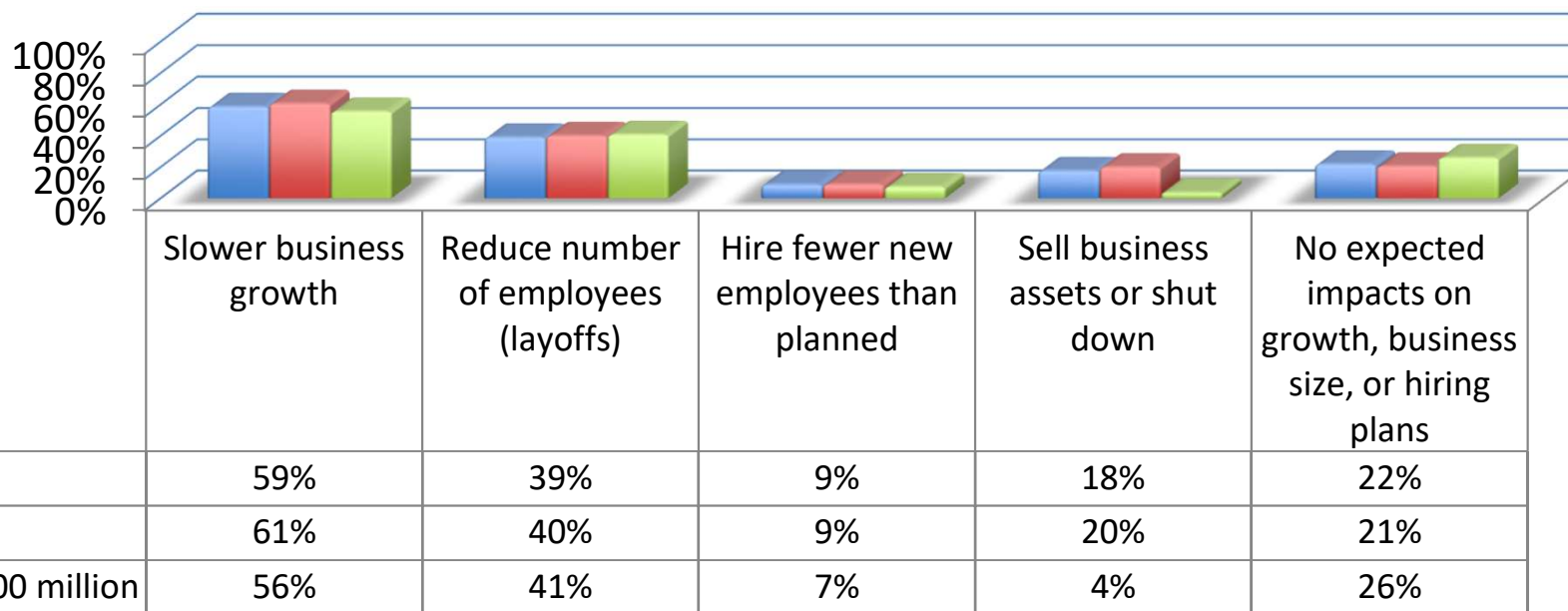
THE BIGGEST OPPORTUNITY FOR RESPONDENTS BUSINESSES IN 2019



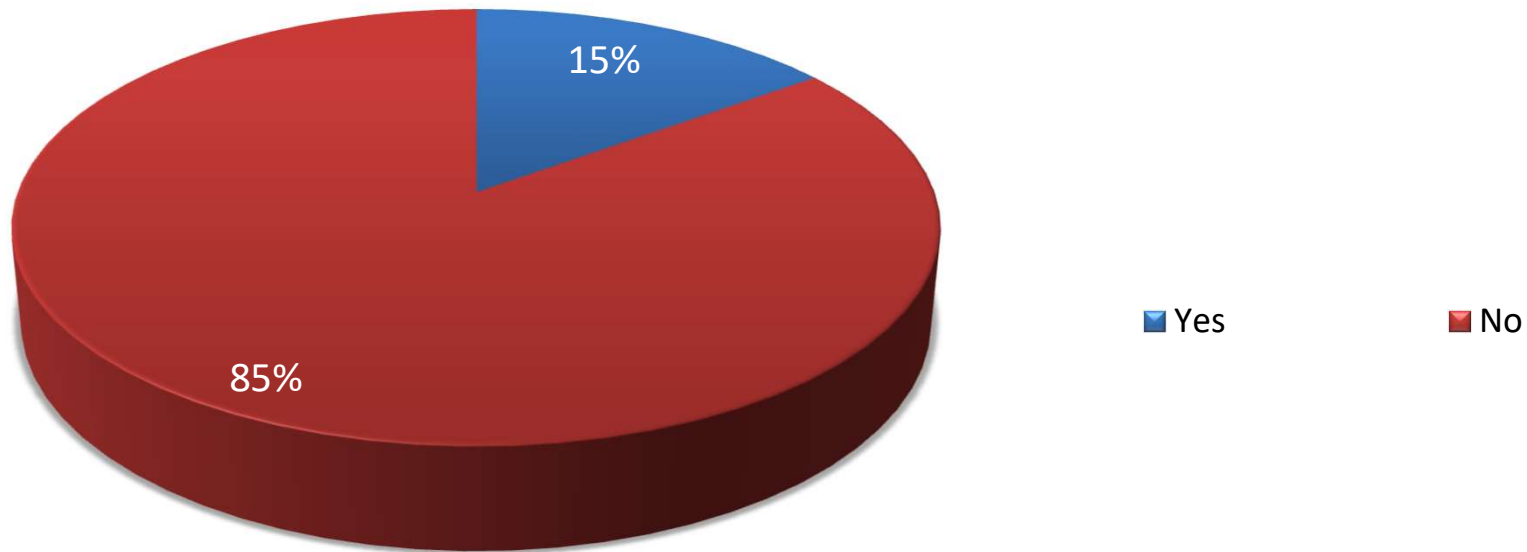
HOW THE FEDERAL INTEREST RATE HIKE COULD IMPACT RESPONDENTS BUSINESS



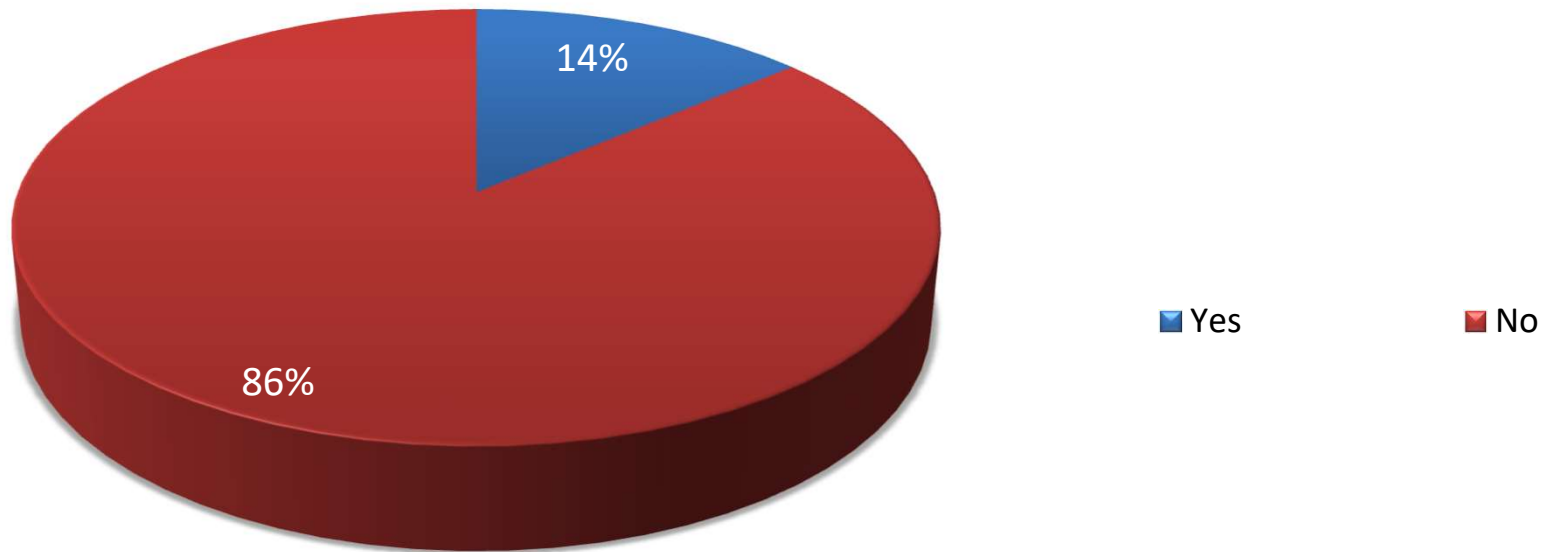
IMPACTS OF UNSUCCESSFUL FINANCING EVENT IN THE NEXT SIX MONTHS FOR THOSE PLANNING TO RAISE CAPITAL (MULTIPLE SELECTIONS)



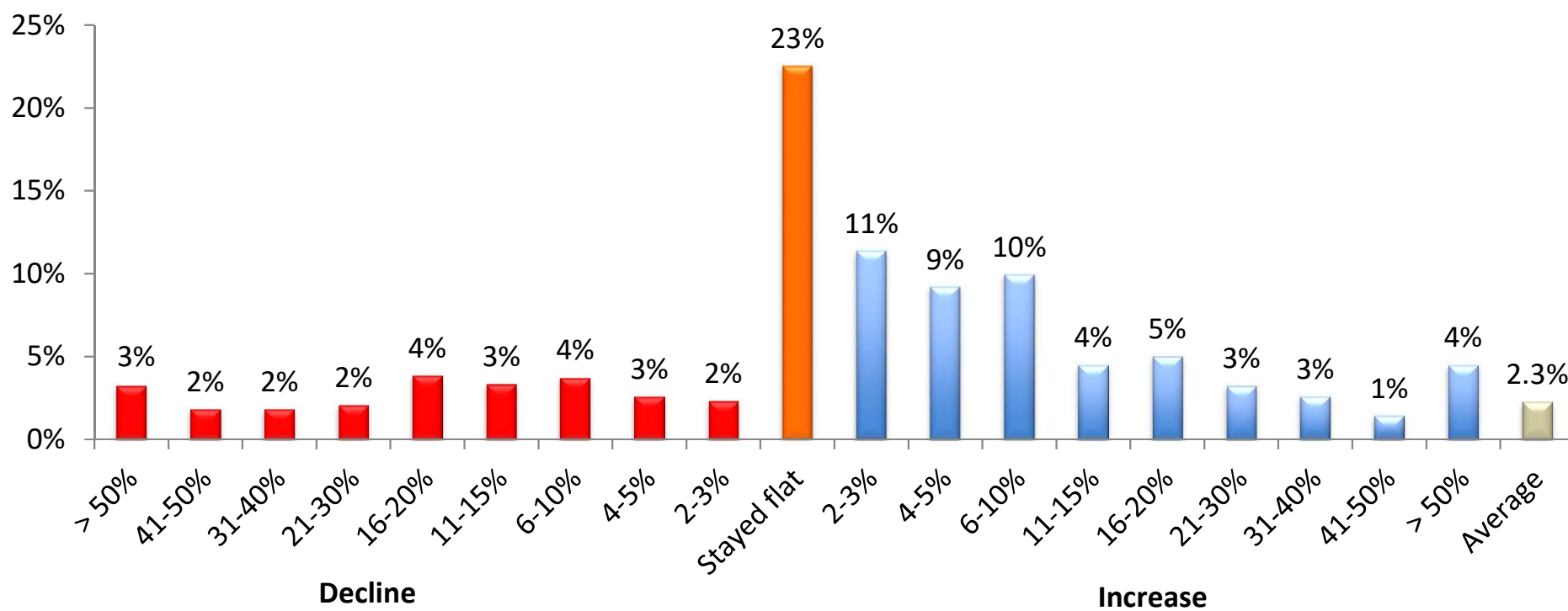
HAS RESPONDENTS BUSINESS BEGUN SELLING OR BUYING INTERNATIONALLY



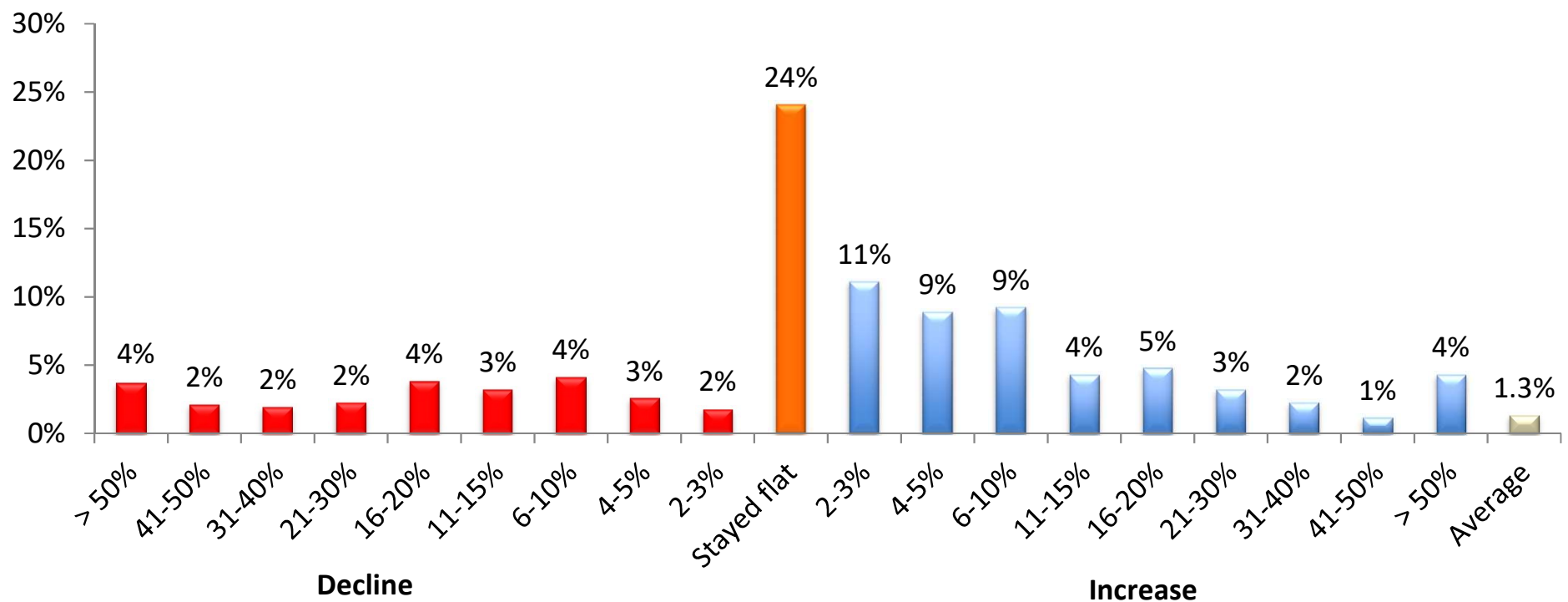
ARE RESPONDENTS CONSIDERING EXPANDING THEIR BUSINESS' SELLING OR BUYING INTERNATIONALLY WITHIN THE NEXT YEAR



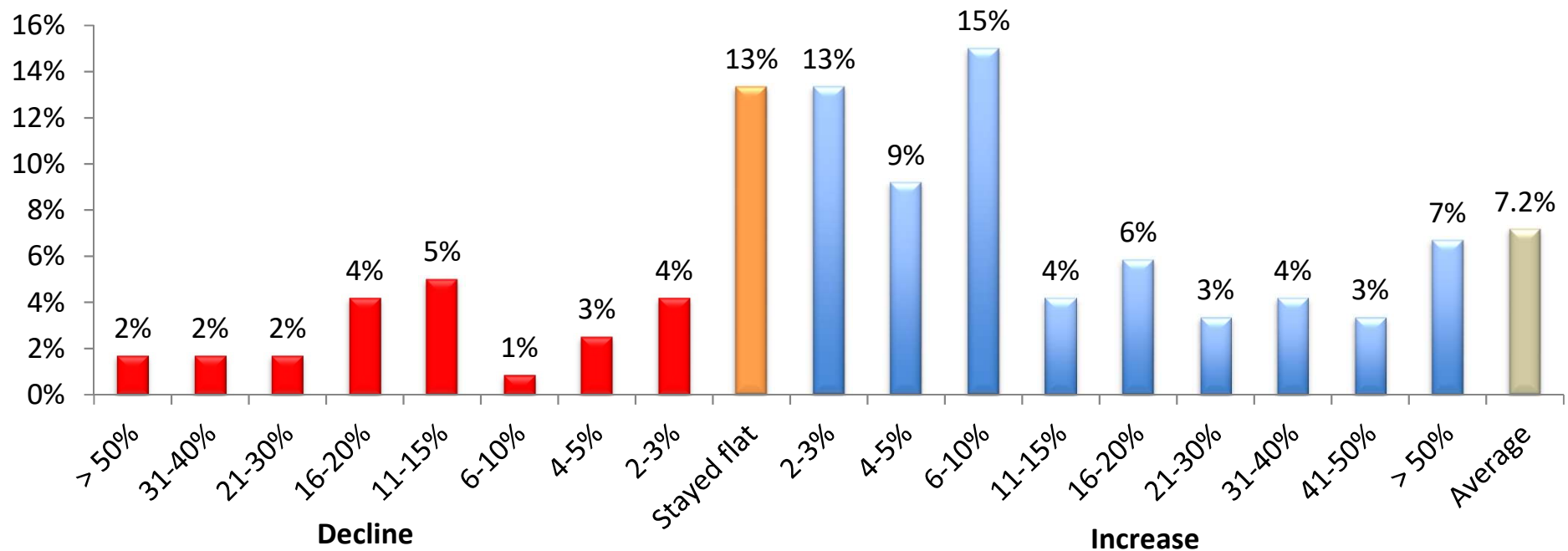
ANNUAL REVENUES CHANGE FOR LAST 12 MONTHS: WHOLE SAMPLE



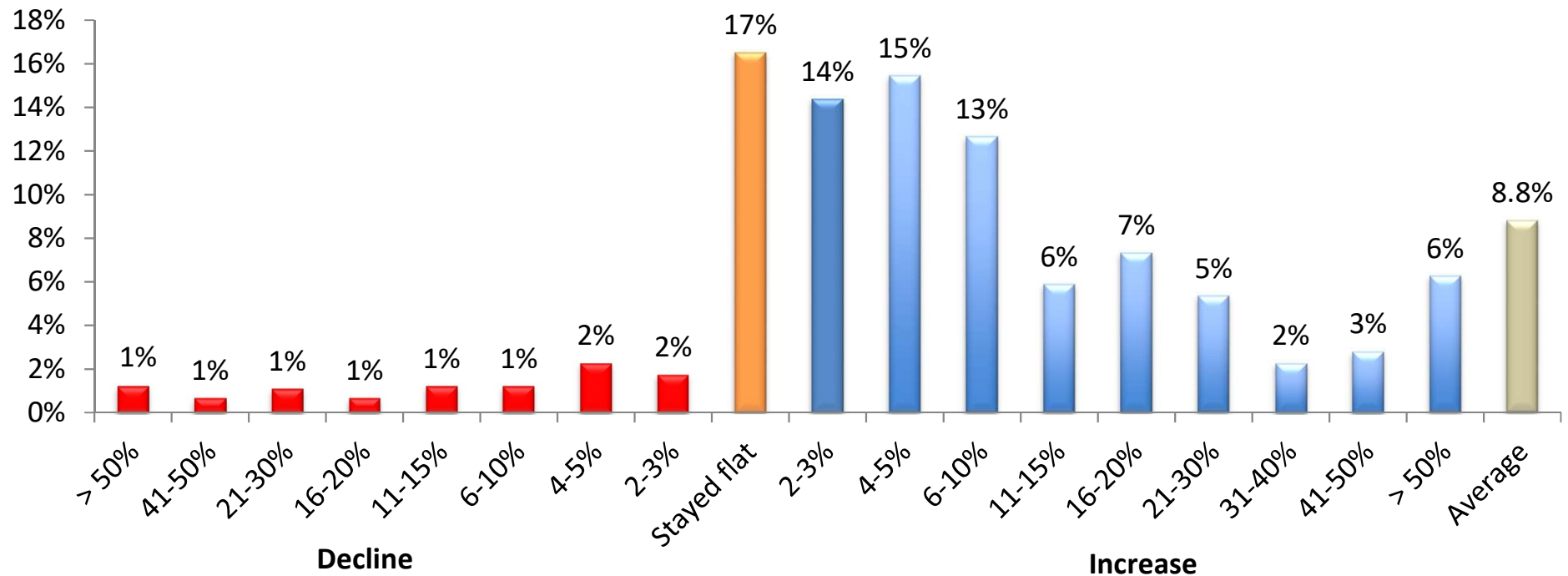
ANNUAL REVENUES CHANGE FOR LAST 12 MONTHS : REVENUES UNDER \$5M



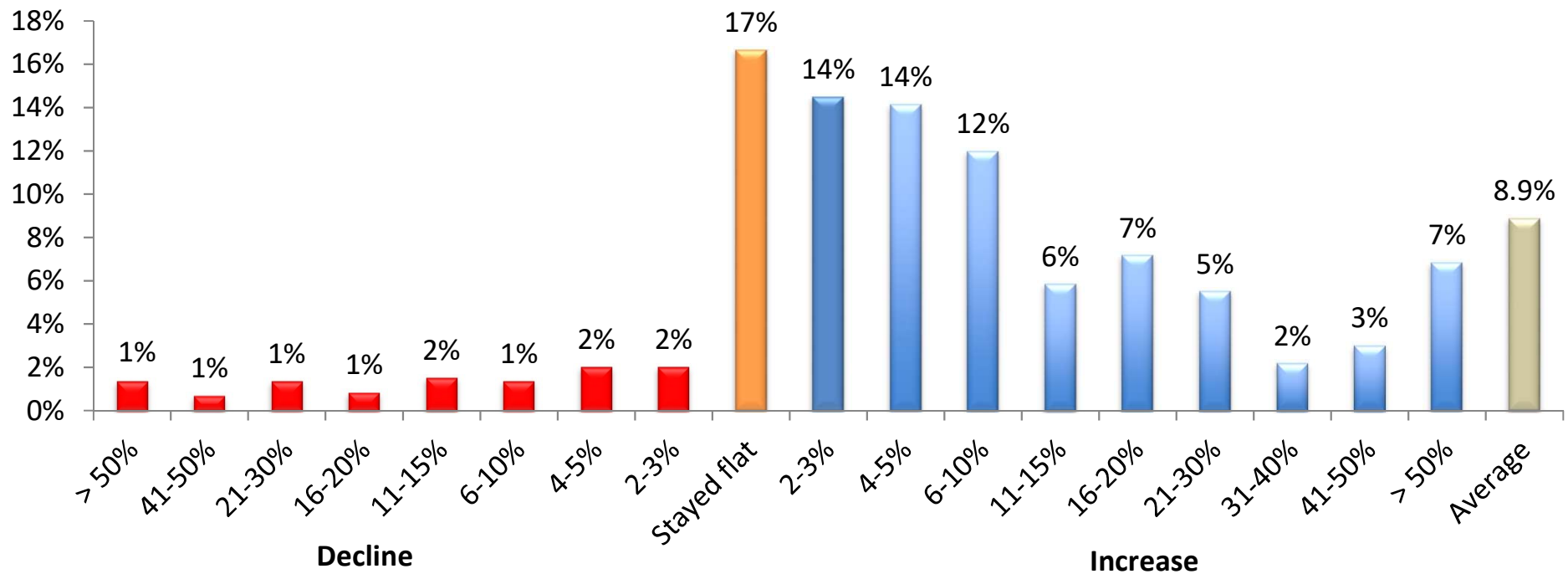
ANNUAL REVENUES CHANGE FOR LAST 12 MONTHS : REVENUES FROM \$5M TO \$100M



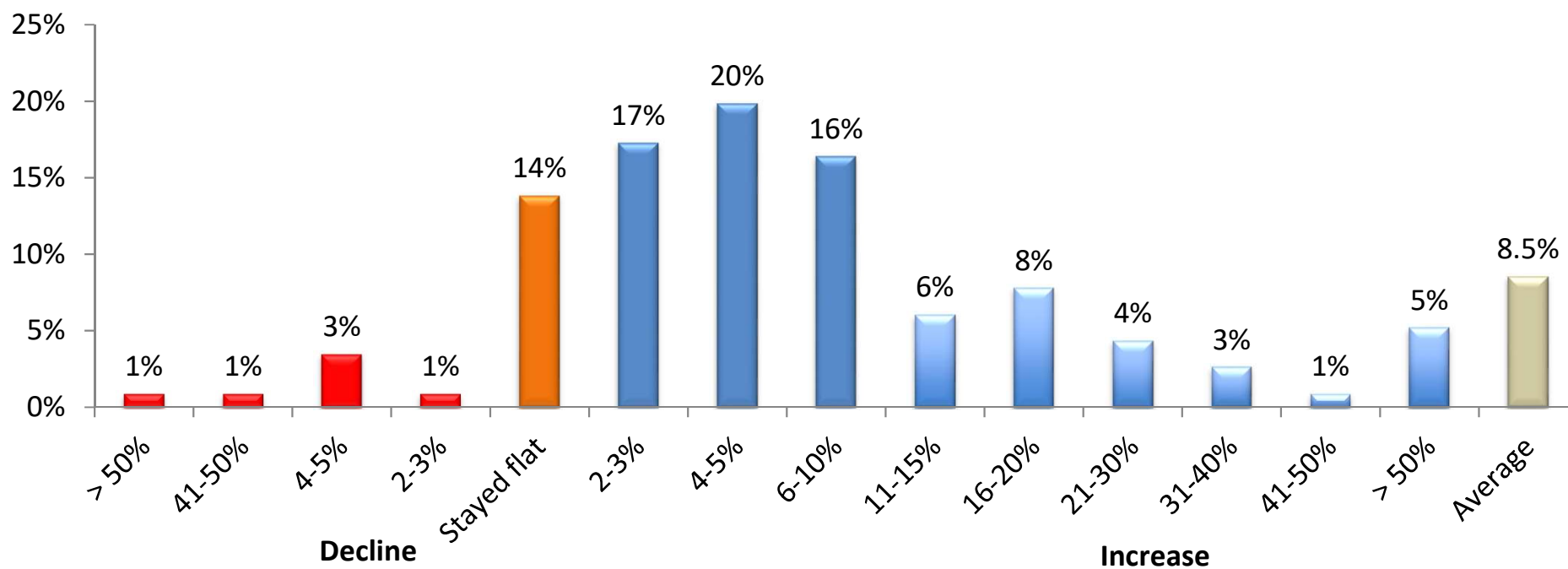
ANNUAL REVENUE CHANGE EXPECTATIONS (NEXT 12 MONTHS): WHOLE SAMPLE



ANNUAL REVENUE CHANGE EXPECTATIONS (NEXT 12 MONTHS): REVENUES UNDER \$5M

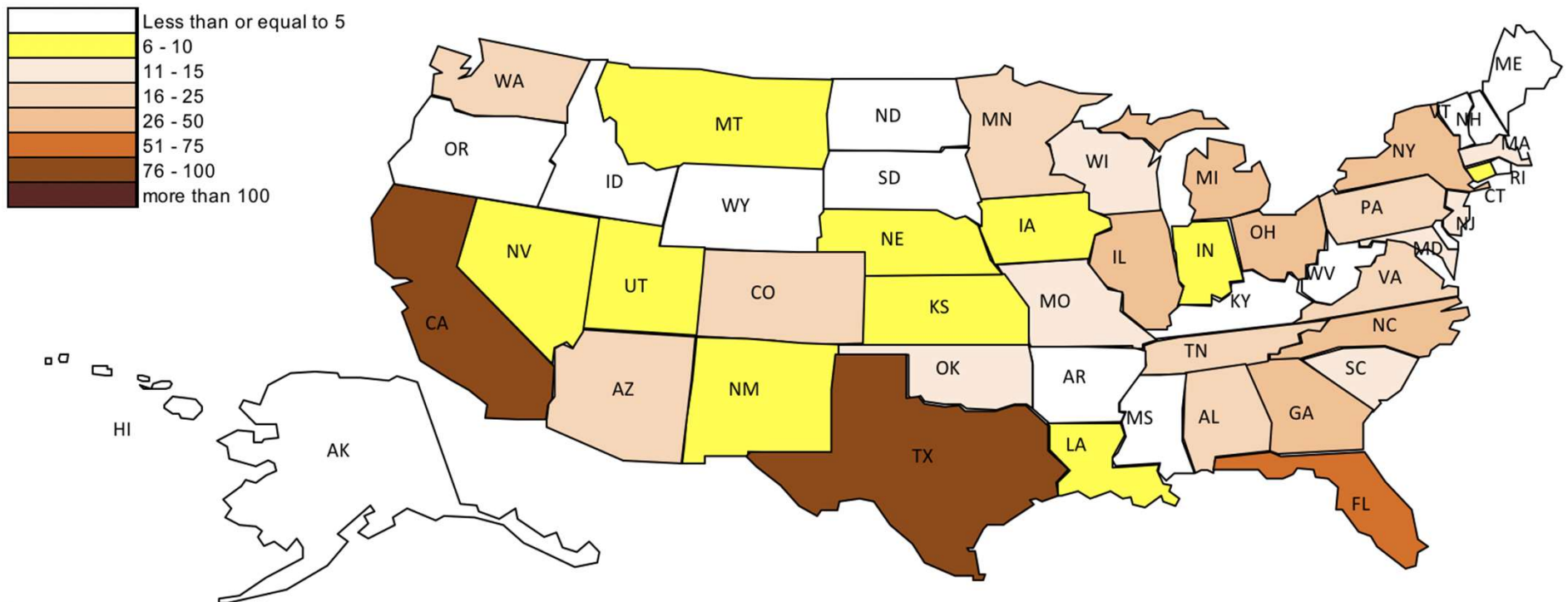


ANNUAL REVENUE CHANGE EXPECTATIONS (NEXT 12 MONTHS): REVENUES \$5M TO \$100M

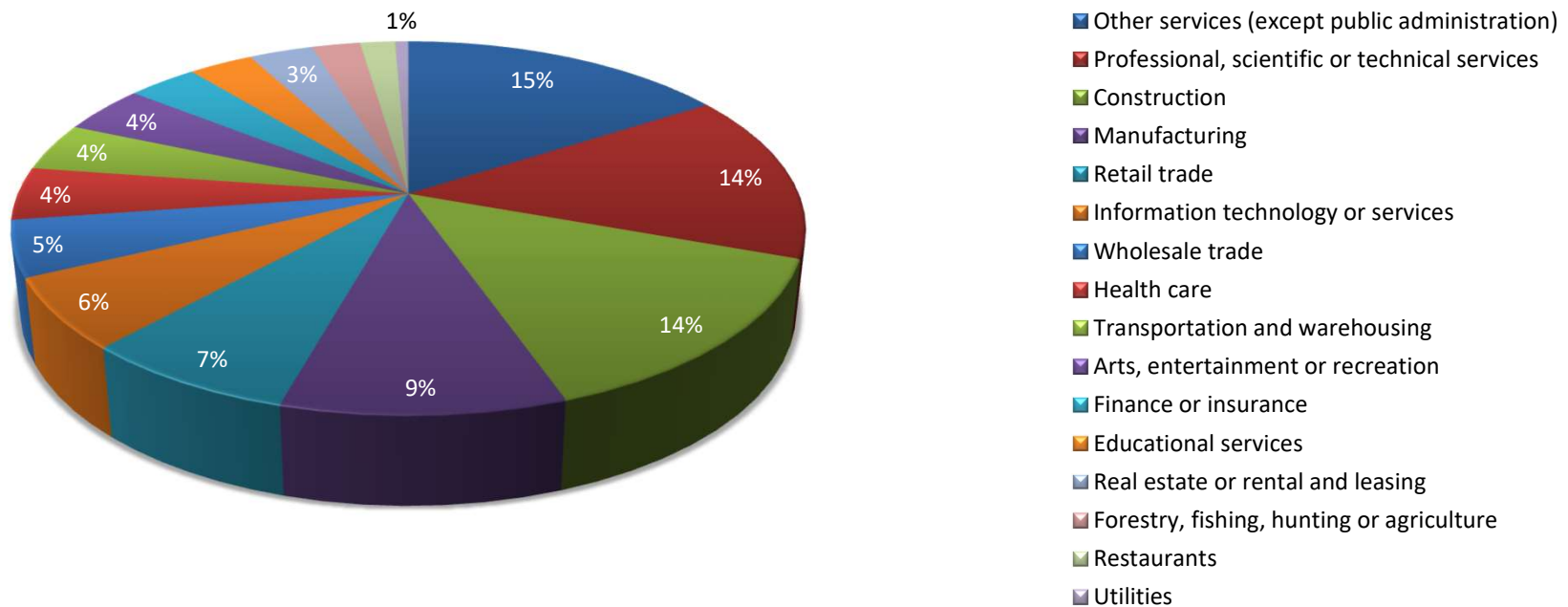


VII. ABOUT THE RESPONDENTS

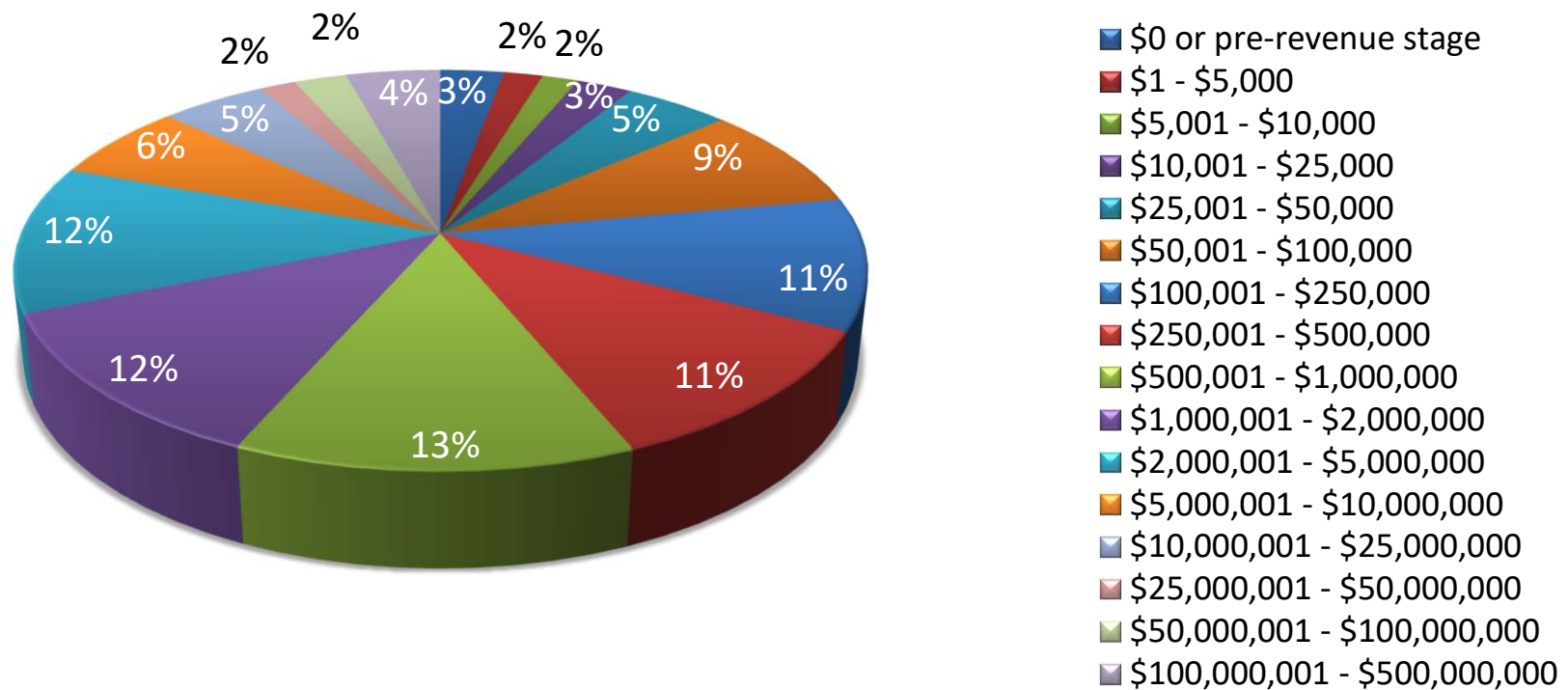
DETAILS ABOUT THE RESPONDENTS GEOGRAPHIC LOCATION



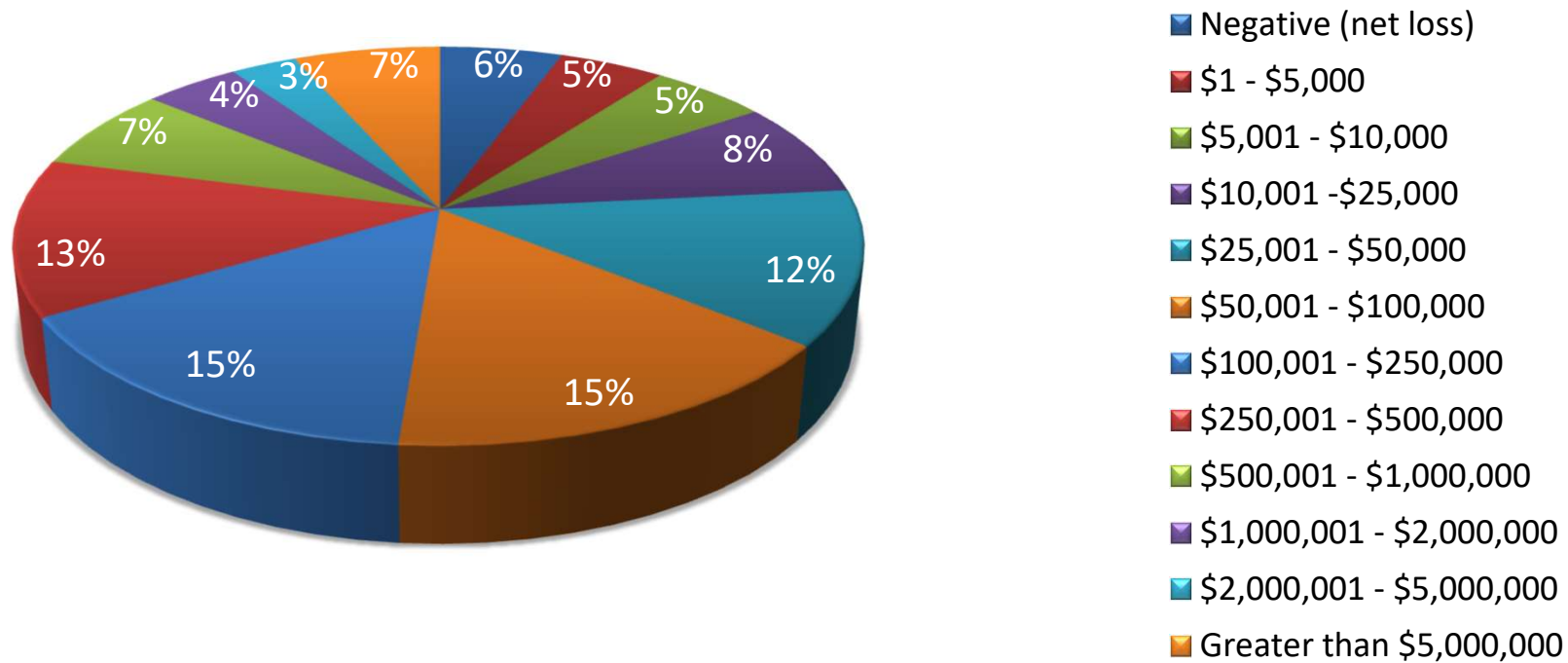
DETAILS ABOUT THE RESPONDENTS INDUSTRY



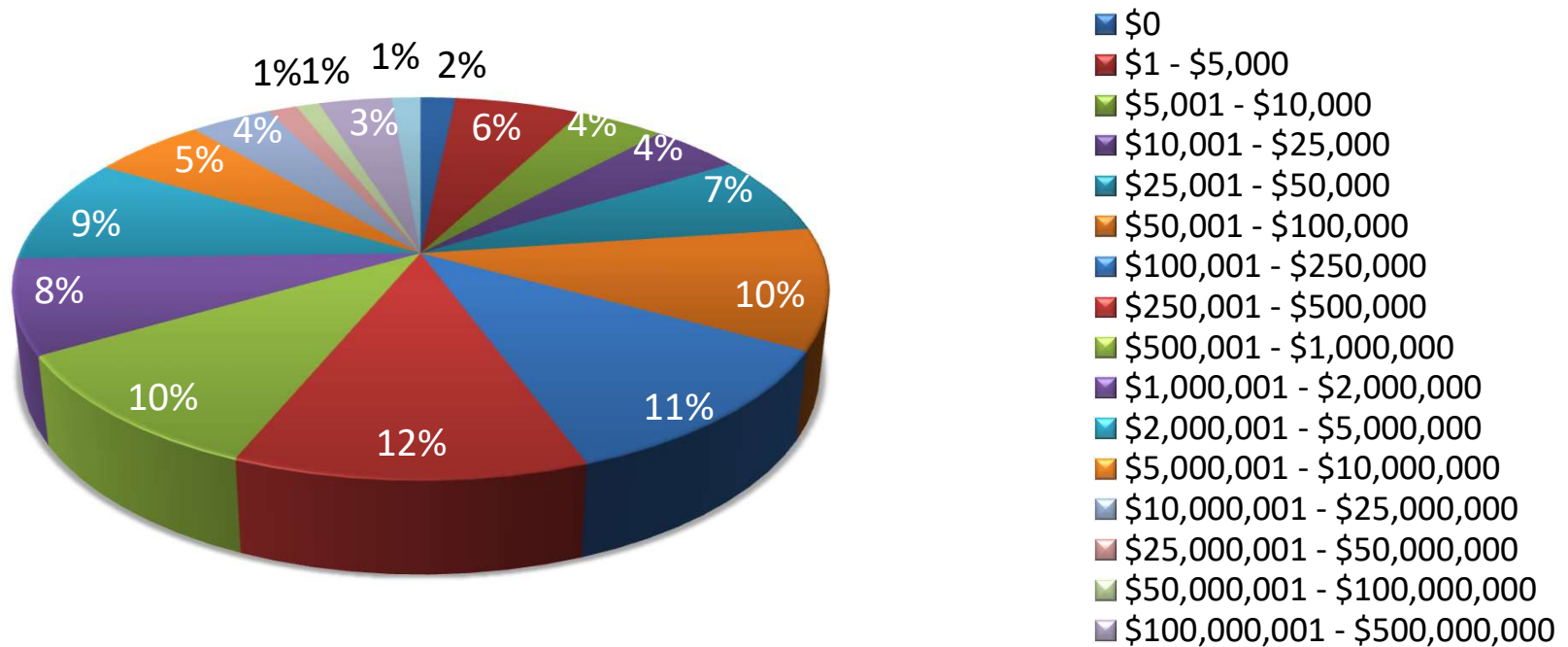
DETAILS ABOUT THE RESPONDENTS ANNUAL REVENUES



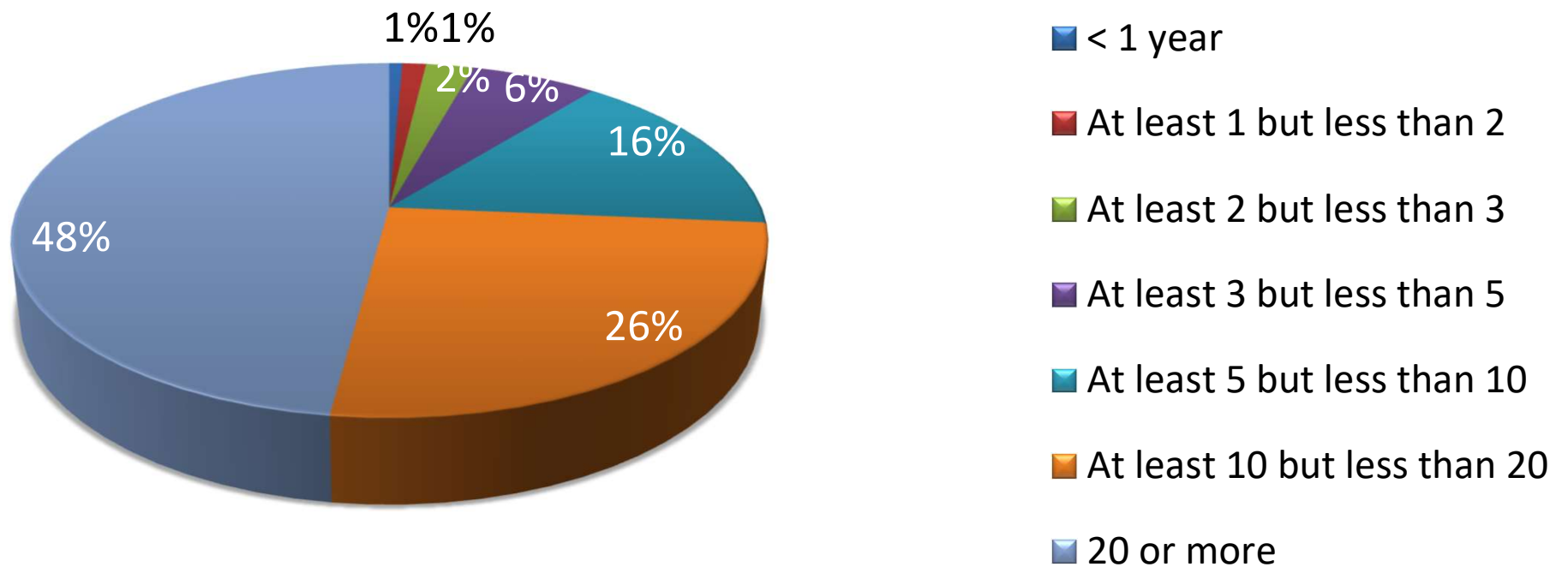
DETAILS ABOUT THE RESPONDENTS ANNUAL INCOME



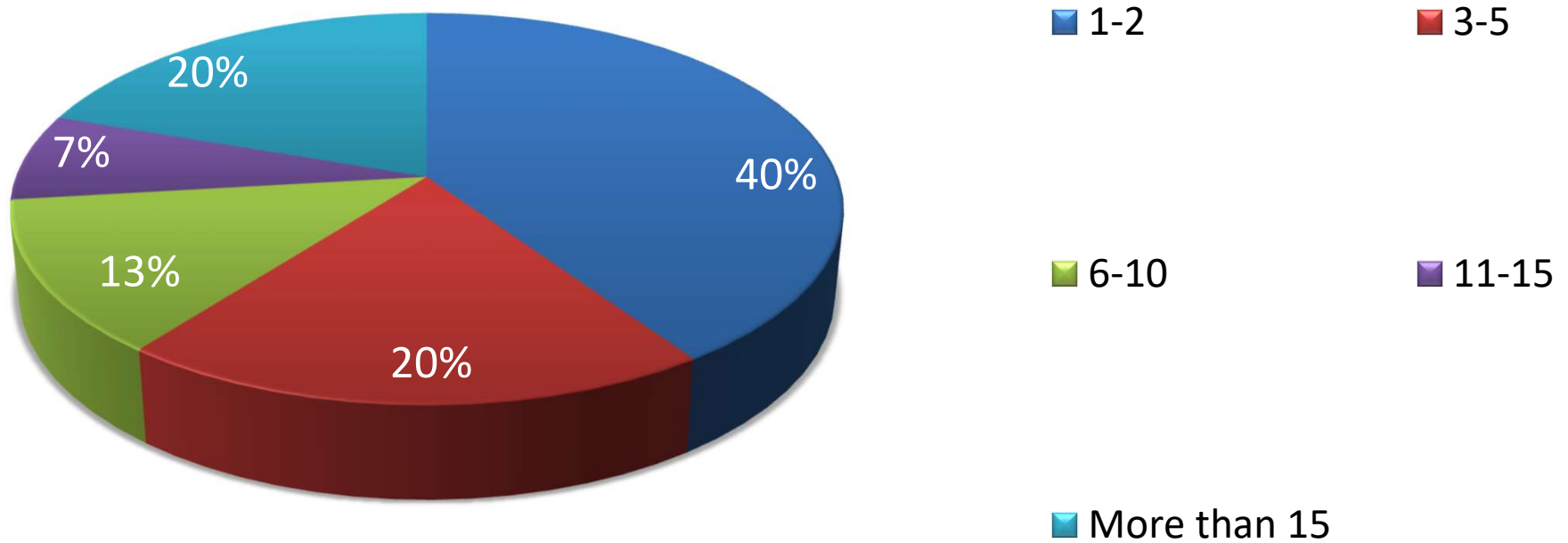
DETAILS ABOUT THE RESPONDENTS TOTAL BUSINESS ASSETS



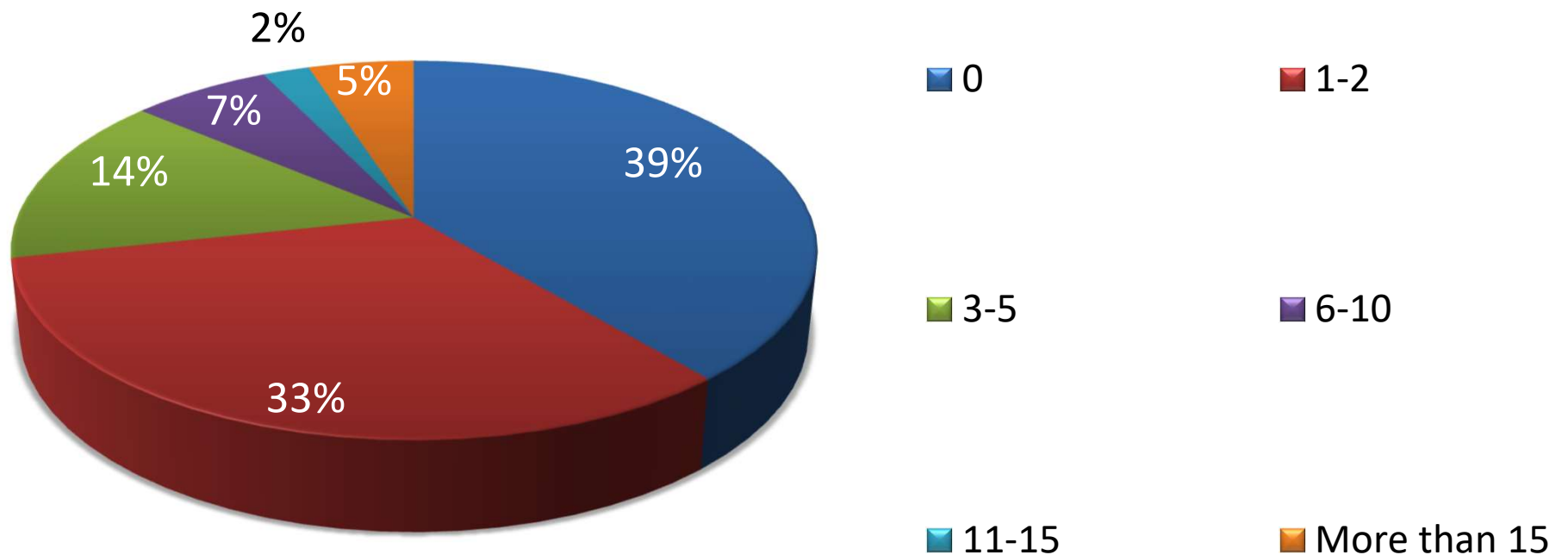
DETAILS ABOUT THE RESPONDENTS FIRM AGE



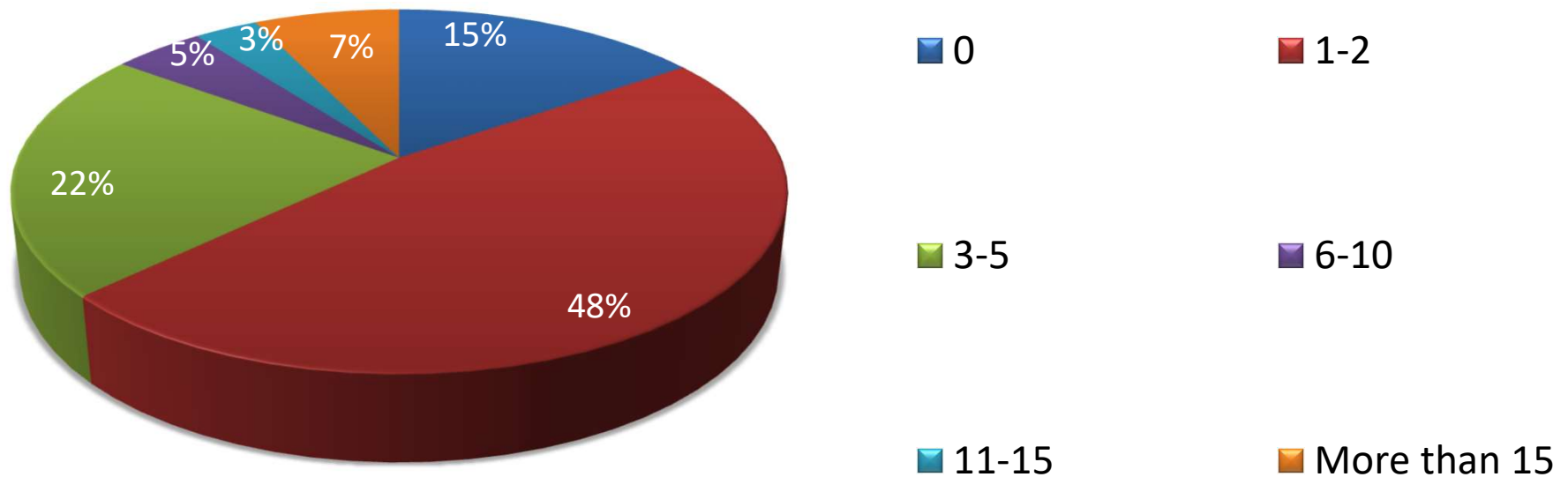
DETAILS ABOUT THE RESPONDENTS NUMBER OF FULL-TIME EMPLOYEES



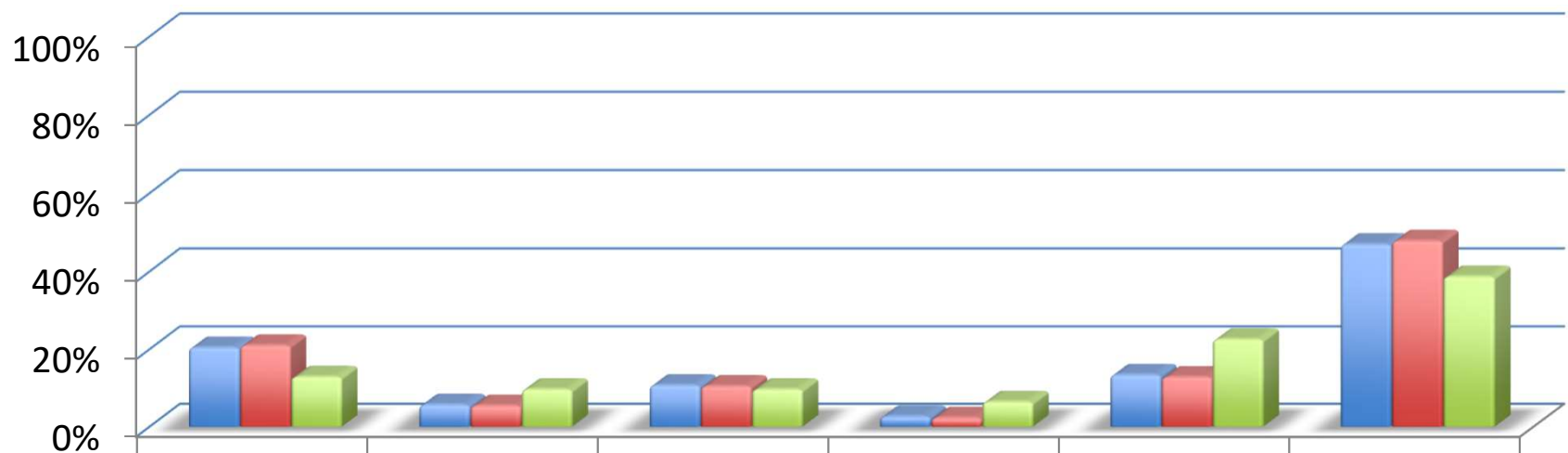
DETAILS ABOUT THE RESPONDENTS NUMBER OF PART-TIME EMPLOYEES



DETAILS ABOUT THE RESPONDENTS NUMBER OF FEMALE EMPLOYEES



DETAILS ABOUT THE RESPONDENTS MINORITY-OWNED TYPES



	African American Owned	Asian American Owned	Hispanic American Owned	Native American Owned	Service-Disabled Veteran Owned	Women Owned
Whole sample	20%	6%	11%	3%	13%	47%
< \$5 million	21%	5%	11%	2%	13%	48%
\$5 million - \$100 million	13%	10%	10%	6%	23%	39%

About Pepperdine Private Capital Markets Project

The Pepperdine Private Capital Markets Project at the Graziadio School is the first simultaneous, comprehensive, and on-going investigation of the major private capital market segments. The research seeks to understand the true cost of private capital across market types and the investment expectations of privately-held business owners; providing lenders, investors and the businesses that depend on them with critical data to make optimal investment and financing decisions, and better determine where the opportunities to create lasting economic value may be realized. Download reports and find more information at <http://bschool.pepperdine.edu/privatecapital>.

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Anchored in the core values of integrity and innovation, the [Pepperdine Graziadio Business School](http://bschool.pepperdine.edu) challenges individuals to think boldly and drive meaningful change that positively impacts their organizations and communities. With an entrepreneurial spirit, the Graziadio School advances experiential learning in small classes that deepen connections and stimulate critical thinking. Through our wide continuum of MBA, MS and Executive degree programs offered across six California campuses, Graziadio faculty inspire full time students and working professionals to realize their greatest potential as values-centered, Best *for* the World Leaders. Follow Pepperdine Graziadio on [Facebook](#), [Twitter](#) at [@GraziadioSchool](#), [Instagram](#) and [LinkedIn](#).

Thank You

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